

Mubarak aide will meet Begin in bid to ease tension

BY DAVID LINDON IN TEL AVIV

RELATIONS between Israel and Egypt appeared increasingly tense yesterday as Mr Osama el Baz, one of the Egyptian President's closest aides arrived for emergency talks with Mr Menahem Begin, Israel's Prime Minister.

Meanwhile, with only a month remaining before the final Israeli withdrawal from Sinai, Jerusalem and Cairo are locked in disputes over demarcation of the border. Relations have also been strained by Egypt's sudden cancellation of an autonomy negotiation due to be held in Jerusalem this week, as well as by the earlier row over President Hosni Mubarak's refusal to include Jerusalem in the itinerary of his proposed visit to Israel.

S. Africans surprised by Swapo revival

By J. D. F. Jones, recently in Namibia

SOUTH AFRICA'S latest military incursion into Angola, which claimed 201 guerrillas dead a week ago, was a ruthless pre-emptive action in a border war which is temporarily in stalemate.

Francis Ghiles reports on Algeria's calm in the current oil storm. Past policies pay present dividends

WHILE the oversupply of crude oil on world markets has almost totally concentrated minds in the Organisation of Petroleum Exporting Countries, Mr Belkacem Nabi, Algeria's Energy Minister, could be forgiven for affecting a calmer air than his colleagues.

PROJECTED INCOME FROM HYDROCARBONS EXPORTS IN 1982 IN \$Bn

Table with 3 columns: Volume, Price (\$), Value (\$bn). Rows include Crude oil, Refined products, Condensate, LPG, LNG: France, Spain, U.S., Gas: Italy, Total.

1981, but the reserve position is strong: \$3.6bn worth of currency reserves and \$1.7bn worth of gold, valued at market prices, provide well over six months' import cover.



This is the second in an occasional series on how individual members of the Organisation of Petroleum Exporting Countries have been affected by, and are coping with, the glut of oil on world markets.

degree of co-ordination between the myriad of state enterprises, and to encourage agriculture and a greater degree of private investment in certain sectors of industry and services.

Iran claims another major offensive

BY OUR FOREIGN STAFF

IRAN CLAIMED yesterday to have launched another major offensive in the Gulf war and recaptured a large tract of territory occupied by Iraq.

heavy losses on the Iranians. The Gulf war this week enters its 19th month with neither side able to gain a significant military advantage.

Jakarta's trade surplus up 2.7% despite falling prices

JAKARTA—Despite a sharp drop in earnings from almost every commodity except oil, Indonesia's 1981 trade surplus grew 2.7 per cent from a year earlier to \$13.2bn (\$7.3bn).

national prices and demand and by Government export restrictions on some key commodities, fell 29 per cent to a two-year low of \$4.2bn.

fell about 1 per cent to \$8.7bn. The bank's report shows that while imports of some items dropped considerably, a 35-fold surge in precious metal imports and a 28-fold jump in overseas fuel purchases nullified most of the gains.

value to \$72.7m. Exports of palm kernels fell 31.6 per cent in volume, to 22,200 tons, and 44 per cent in value, to \$4.5m.

Hong Kong delays decision on £2bn airport

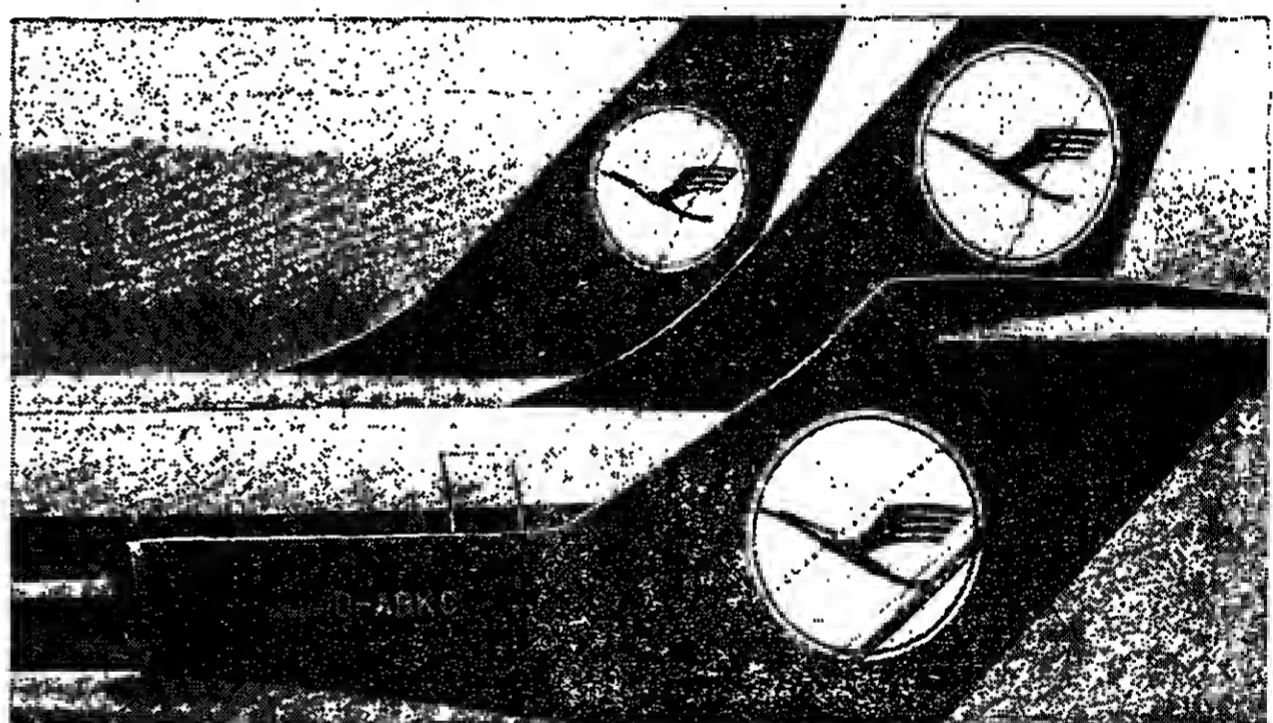
BY KEVIN RAFFERTY IN HONG KONG

HONG KONG will not decide about building a new international airport until a decision is taken which will secure the future of Hong Kong itself.

according to British law, the UK must hand back to China the New Territories, which comprise the greater part of the colony's territory.

Senior South African officers now admit that the Angolans have restored a radar defence line at roughly the Mocomades railway line about 190 miles north of the Namibian border.

It's nice to know that some airlines still have class.



Some of our competitors are trying to tempt you with a lot of new promises. Promises of fancy new classes, improved service, more punctuality and so on.

Lufthansa prefers proven standards to promises. So we are not going to compromise on our offer. We offer you an unbeaten punctuality record.

We continue to give you the choice of First Class or our full-service Economy Class including your choice of free drinks on all European flights.

We offer you 16 non-stop flights daily to Germany. And, via Frankfurt, we connect you to every major business or leisure centre in the world.

This is what has made us a leading airline, well-trusted by its passengers. And that's the way it will stay, no matter what the competition offers next as sensational improvements. At Lufthansa they have been regular features for years. After all, we did not become your first-choice airline because we serve free drinks in Economy Class in Europe.



Consult your Travel Agency or our timetable for exact details on all of our flights.

Copenhagen Telephone Company, Inc.

(Kjobenhavns Telefon Aktieselskab) 9% Sinking Fund Dollar Debentures Due April 15, 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 15, 1970 under which the above described Debentures were issued, \$606,000 principal amount of the said Debentures have been called for redemption through operation of the Sinking Fund on April 15, 1982, the date fixed for redemption at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption as follows:

Table listing debenture numbers and amounts for redemption on April 15, 1982.

The above described Debentures will become due and payable on April 15, 1982 and interest thereon shall cease to accrue.

Payment of the redemption price of 100% of the principal amount of the Debentures will be made upon PRESENTATION and SURRENDER of such Debentures with all coupons appertaining thereto maturing after April 15, 1982 at Citibank, N.A., Receive and Deliver Department, 5th Floor, 111 Wall Street, New York, New York 10043 or the main offices of Citibank, N.A. in Antwerp, Belgium; Nice, France; Paris, France; Berlin, Germany; Dusseldorf, Germany; Frankfurt (Main), Germany; Hamburg, Germany; Munich, Germany; Athens, Greece; Piraeus, Greece; Thessaloniki, Greece; Milan, Italy; Amsterdam, Netherlands; Rotterdam, Netherlands; The Hague, Netherlands; Geneva, Switzerland; Lucerne, Switzerland; Lugano, Switzerland; Zurich, Switzerland; London, England; Belfast, Northern Ireland; Dublin, Ireland; Belgium, Brussels; Citibank (Luxembourg) S.A.; or at the office of Privatbanken i Kjobenhavn, Copenhagen, Denmark; Algemene Bank Nederland, N.V., Amsterdam, Netherlands; Kredietbank, S.A., Luxembourg; Skandinaviska Enskilda Banken, Stockholm, Sweden; Swiss Bank Corporation in Basle, Switzerland; and Deutsche Bank A.G., Frankfurt (Main), Germany, as the Company's paying agents.

COPENHAGEN TELEPHONE COMPANY, INC. By Citibank, N.A., Trustee

Dated: March 16, 1982

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Return to Europe

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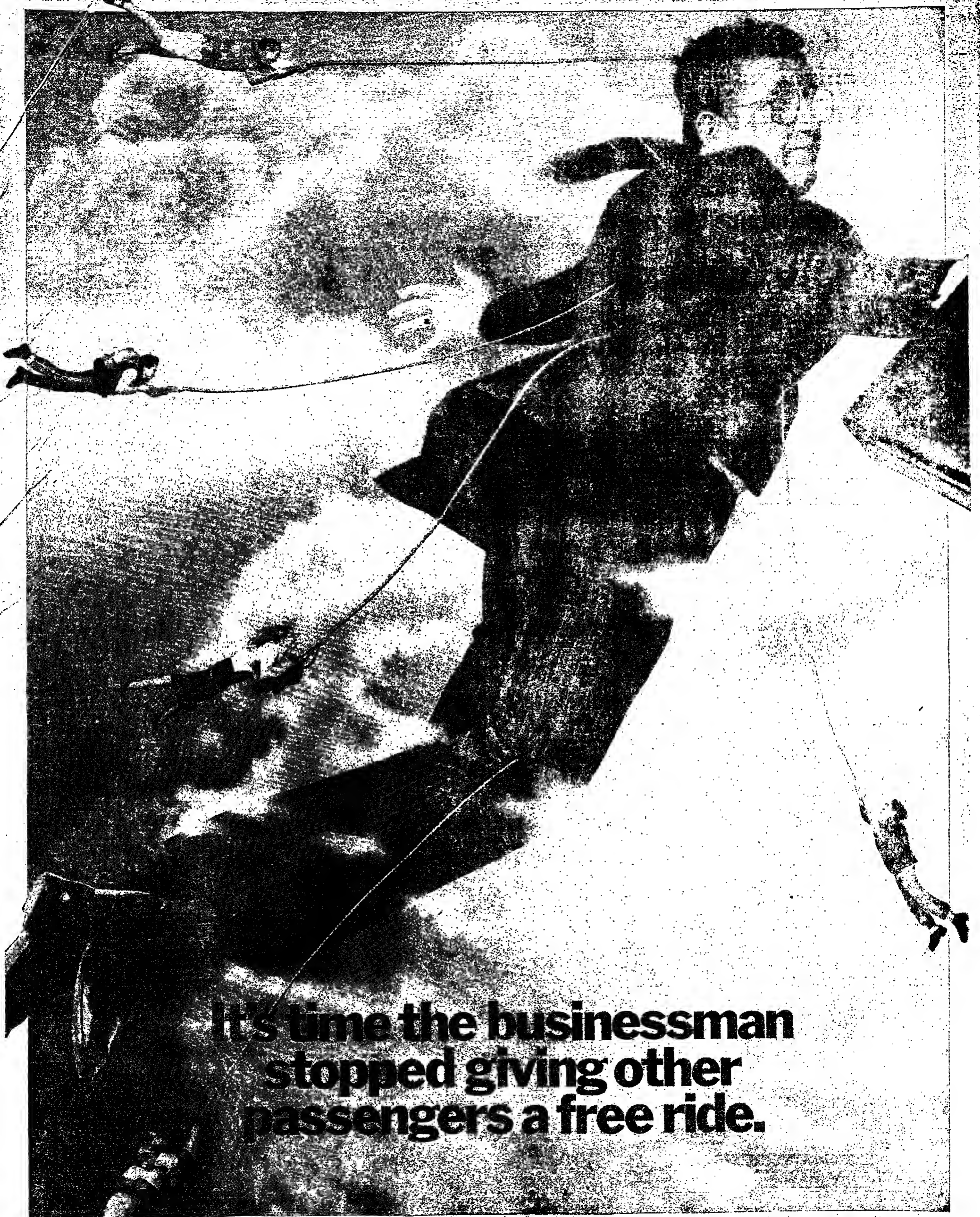
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It's time the businessman stopped giving other passengers a free ride.

It isn't paying the full fare that that sticks in the gullet, is it?
It's knowing that the bloke sitting next to you eating the same food and guzzling the same drink is only paying half fare.
Well from now on it won't happen on our airline.
If you pay the full economy fare you get the full treatment:
Fast check-ins at separate counters.
A reserved seat in our new EuroClass cabins up front where first class used to be.
Two or three inches more kneeroom than

British Airways give you, to save you breathing in when the man in front leans back.
And free drinks to save you the hassle of hunting for loose change.
Your meal will have a decidedly Scandinavian flavour and come in decidedly Scandinavian size portions.
And you'll find us even more generous with things that cost very little, orange juice, coffee and hot rolls.
On the ground, in all our Scandinavian airports, you can unwind in the lounges for EuroClass passengers, buy cocktails, take coffee, make

phone calls or ask us to book hotels and flights for you.
Yet, with all of this, our EuroClass is the same price as other airlines' economy class.
We are the only airline to make no surcharge of any sort for its business class on European routes.
This doesn't exactly make us popular with the other airlines.
But it's beginning to make us very popular with our passengers.

SAS
EuroClass
Scandinavian Airlines System

UK NEWS

How economy marked time in 1981 Whitehall think tank head has market research past

OUTPUT of the UK economy was 4 per cent higher in the fourth quarter of last year than it had been in the first quarter...

cent lower than in 1979, and about the same as in 1977. At constant 1975 prices, the figures show that even at the peak of the last cycle in 1979, consumer spending was little different from its level last year...

year of £2bn (1975 prices). In current prices, total output based on income data last year is estimated to have been 8 per cent higher than in 1980. However, data for the second and third quarters are still not available...

GDP figure for the same quarter of the previous year. The GDP index in constant prices for 1980 was 107.4 (1975=100). By the fourth quarter of the year, 1980(4), the figure had fallen to 104.2. In 1981(1) it was 104.3, in 1981(2) it was 104, in 1981(3) it was 104.4, and in 1981(4) it was 104.8. The figures show a sharp recovery of company profits within 1981...

EXPERIENCE AS a market researcher helps to sell products such as Campbell soups, ICL computers and Black and Decker drills may seem an odd qualification for a senior civil servant charged with helping to restructure the priorities of the Department of Industry...

John Elliott talks to Andrew Duguid, head of the Industry Department's new policy planning unit. He adapted that unit from a policy body that had existed for some years, and made it clear he wanted people to put up ideas about how entrenched policies might one day be changed...

The other members of the unit—all civil servants, aged under 40—are a scientifically trained technologist, an economist, and an administrator. The terms of reference are to provide advice that will help Ministers change direction and to design and achieve the new objectives...

Max Wilkinson looks at the latest figures on a year of stagnation

Total output maintained improvement in final quarter

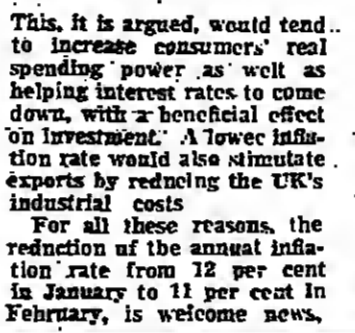
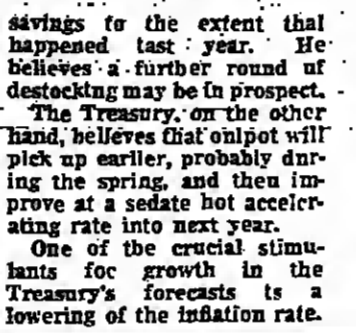
THE ECONOMY'S total output in the final quarter of last year continued its slow improvement, in spite of the disconcerting fall in industrial production...

spring and early summer of 1981, when the period of destocking came to an end. What, then is one to make of yesterday's revised figures for Gross Domestic Product (output) which showed a slow, but consistent improvement from the second quarter to the end of the year?

Against this rather somber backdrop, which includes the still rising trend of unemployment, some distinctly brighter portents for the future have been appearing recently, particularly the reduced price of oil and the better than expected outlook for inflation.

The evidence, therefore, from the GDP figures and from the production statistics, is that the recovery last year has been extremely weak, and that around the turn of the year it may have faltered altogether.

For all these reasons, the reduction of the annual inflation rate from 12 per cent in January to 11 per cent in February, is welcome news.



According to the most recent industrial production figures the recovery seems to have suffered something of a relapse during November, December and January. This was partly no doubt a result of the exceptionally cold weather and the effect of strikes, but some other forces were probably at work, including perhaps a resumption of destocking.

Yesterday's figures clearly show that the sharp change in the amount by which stocks were being cut back—from £1.6bn in the second quarter to only £490m in the third quarter—was not repeated in the last three months.

One of the chief stimulants for growth in the Treasury's forecasts is a lowering of the inflation rate.

Londoners grumble but pay up as some fares more than double

THE majority of London Transport's passengers kept within the law yesterday and resignedly paid the increased tube and bus fares. London Transport, which had extra inspectors, aided by police, at ticket barriers on the Underground, said: "The vast majority of passengers paid up with good temper, but naturally with a regret which we share."

His new weekly return fare, from Uxbridge to Mansion House, is £26.40. Before October 4 it was £15.50 and during the reduced fares interim it had been £12.30.

Some members of the G.I.C., which has spent £200,000 on a campaign against the rises, continued their protest yesterday. Mr Dave Wetzel, the chairman's transport committee chairman, on a journey from Oxford Circus to County Hall, refused to pay the new fare. He asked passengers to vote on whether or not he should leave the bus. They voted and he left. However, Mr Wetzel said he thought that 99 per cent of people were against the new fares.

Telecom launches electronic mail service

BRITISH TELECOM launched its first independent company yesterday to compete with the private sector in offering an advanced electronic mail service which was first developed in the U.S.

Committal orders sought against former steel company executives

TWO FORMER executives of the Johnson and Firth Brown steel group face jail for allegedly breaking undertakings and court orders in relation to a pending £5m damages action over an alleged fraudulent conspiracy against four group companies.

Campaign to boost sport sponsorship introduced

A DRIVE aimed at boosting sponsorship of British sport—already a £50m business involving more than 700 companies—was launched by the Sports Council yesterday.

New chairman for SSEB appointed

MR DONALD MILLER, deputy chairman of the South of Scotland Electricity Board (SSEB), is to take over as chairman from Mr Roy Berridge, who is retiring at the end of this month.

New round of North Sea licences being considered

THE GOVERNMENT is considering offering a new round of offshore oil exploration licences, Mr Nigel Lawson, Energy Secretary, said yesterday.

White House

Although Dialcom has sales of only about \$5m (£4.4m) it has a substantial share of the U.S. market for electronic mail. Its customers include the White House, a number of U.S. government departments, Citibank, Bethlehem Steel and Westinghouse.

Celltech chief gives guide to innovation

SUCCESSFUL INNOVATION needed a small, committed team backed by a powerful patron, Mr Gerard Fairclough, managing director of Celltech, the new British biotechnology company, told the Royal Society of Arts in London last night.

Laker starts job as aviation consultant

SIR FREDDIE Laker began his new career as an aviation consultant in a sparsely furnished room in Lombro's City office yesterday. His airline, Laker Airways, collapsed in early February.

Matterson executives buy company

THE MATTERSON crane company has been purchased by a group of its senior management in a deal believed to be worth just under £1m. A statement from the new owners said yesterday the deal would safeguard the jobs of 150 employees at its factory in Rochdale, Lancs.

Investment

British Telecom has invested about £1m in the new service which it hopes will begin to show a profit by next year. It expects the service will mainly be used initially for inter-branch communications by large companies with widespread offices.

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No evidence yet of rise in house prices

INCREASED ACTIVITY by home buyers is being maintained but this has still not shown through in any general increase in house prices, according to the latest monthly survey of house price movements conducted by the Royal Institution of Chartered Surveyors.

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Whitehall think tank head has market research past

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Polytechnic in Ulster to merge with university

By Our Belfast Correspondent

A MERGER of Northern Ireland's second university and the province's only polytechnic into a new institution with university status will be announced by the Government today.

Mr Nicholas Scott, Parliamentary Under-Secretary at the Northern Ireland Office, will reveal the wide-ranging changes in Ulster's higher education. The Government will also publish a report from the Chilver Committee, set up in 1978, to advise on higher education needs in the 1980s and 1990s.

The Northern Ireland Office yesterday discounted a report that the New University of Ulster, at Coleraine, was to be closed. Detailed proposals being announced today will show that the Government has not accepted the Chilver Committee's recommendations in full.

It is understood that the university, the Ulster Polytechnic, and Magee College, Londonderry — a constituent part of the university — will be brought together under one body.

The university opened in 1968, but has only about 2,000 students compared with the 5,000 originally planned.

Differences in the way we live

Robin Pauley on a statistical breakdown of Britain

PEOPLE living in the south eat the most fresh fruit in Britain — about 1½ lb per person a week — while Scots and northerners are ahead on bread, cakes and biscuits, and the Welsh and Midlanders are more partial to ham and bacon.

These are among the facts in Regional Trends, an analysis from the Central Statistical Office of various aspects of life on a regional basis which accompanies Social Trends, a national analysis of the way we live.

The book confirms the census indications of the extent to which urban areas have been losing their populations during the 1970s. Greater London lost 10 per cent and Merseyside 9 per cent while the more rural East Anglia and south west both gained. Scotland lost 2 per cent of its total population between 1971 and 1981, with central Clydeside losing 10 per cent.

The south-west — England's retirement Riviera — has the greatest proportion of people over 65 (17 per cent) and Northern Ireland has most people under 15 (27 per cent).

About a quarter of 18-year-olds stayed on at school in 1978-1979, ranging from 19 per cent in the north to 28 per cent in Wales and 32 per cent in the south-east. The south-west had the lowest percentage of school-leavers with no graded examination results that year (9 per cent) and Wales the highest (25 per cent).

The south-east is consistently

ahead in exam results with the highest proportion with at least five O levels (28.5 per cent), one or more A levels (18 per cent) and 2 or more A levels (15 per cent). The north is bottom of all these leagues.

Northern Ireland has the lowest marriage rate, the highest infant mortality rate and the lowest number of illegitimate births (6 per cent). The north has the highest marriage rates and the north-west has the highest illegitimate birth rate (18 per cent).

The average price of homes in the UK in 1980 was 18 per cent higher than in 1979. The biggest rise was in East Anglia, up 24 per cent, and the lowest in Northern Ireland, up 8 per cent.

The Northern Ireland population fares worst in the heart disease death rate but best in the cancer league. The Welsh appear to have the highest proportion of people who become sick without dying, however, as they head the league for the number of prescriptions issued per person.

The unemployment figures during the two June years to June 1981 were most depressing for Wales which lost 3 per cent of its civilian working population. Manufacturing industries fared exceptionally badly losing

23 per cent of their male employees in Wales followed by 20 per cent in the West Midlands.

The south east had the highest average gross weekly income per person in 1978-80 (£57) and per household (£183) with Northern Ireland the lowest at £38 and £113.

Households in the north and north west spent more than those in other regions on alcoholic drink — while the Scots and Irish spent most on tobacco.

Other points included: ● Northerners eat most eggs and fish. ● Yorkshire and Humberside is the cheapest area to buy a house. ● East Midlanders drink the most milk.

● East Anglia has Britain's lowest death rate.

● Greater London has highest GDP per head in UK, 25 per cent above the national average.

● South east has the highest rate of legal abortions.

● South west has highest proportion of owner-occupied dwellings.

● Unemployment in West Midlands jumped by 69 per cent between July 1980 and July 1981.

● North west is UK's most densely populated area — 830 people per square kilometre.

● Welsh housing stock is the oldest in Britain with nearly a quarter built before 1891.

● Scottish GPs have the lowest average number of patients on their lists.

● Northern Ireland has lowest proportion of ownership of washing machines, refrigerators, TV sets and central heating in UK.

● Regional Trends 1982. Central Statistical Office, HMSO, £15.95.

Threat to birds of prey

BRITISH birds of prey are threatened by unscrupulous pirates who are cashing in on an upsurge of interest in falconry.

They take rare young birds from their nests and sell them on the black market for hundreds of pounds each. The Royal Society for the

Protection of Birds says the increase in nest robberies could eventually wipe out some species in the wild.

A peregrine falcon can fetch anything between £750 and £2,000, and golden eagles between £500 and £800. A comparatively commonplace kestrel fetches up to £30.

Aberdeen University TV goes commercial

THE FIRST university-based commercial television company in Scotland was launched yesterday in Aberdeen.

Aberdeen University Television, Antel, was formed from the existing university television service, which was established 11 years ago to produce educational television programmes.

Antel, winner of the Royal Television Society Scottish educational award for the past six years, will be one of several similar companies from Aberdeen marketing their expertise commercially against a background of Government cuts in university funding. It will operate under a holding company, Aberdeen University Research and Industrial Services, Auris, which was formed last September.

Projects already undertaken for the offshore industry include a gas detection film for BP, helicopter survival for Bristol, industrial management for the supply company Seaforth Maritime, hyperbaric welding for a leading diving company and the effects of noise-induced hearing loss for Shell.

Auris companies will be non profit-making

Extra £½m for Land Rover plant in Wales

BY JOHN GRIFFITHS

A FURTHER £½m is being pumped into a Wales-based venture to build specialised Land Rovers.

Hotspur Armoured Products set up the new plant last year at Pendulais, near Swansea. A Hotspur board member said yesterday the extra capital was needed because the build up of orders had been slower than expected and there had been changes of vehicle specification.

The Government provided some £100,000 of the original funding of £1.02m, under regional aid schemes. The other £920,000 and the latest £½m come from private investors, including the National Coal Board Pension Funds and Mercantile Investment Trust.

The venture was originally set up to build a six-wheel drive version of the Land Rover the chassis of which is lengthened and strengthened. The vehicle was developed by SMC Engineering of Bristol and all the rights to it were sold to Hotspur last year.

Hotspur originally expected to make between 850 and 400 this year, but total output by the end of October is not expected to exceed 100. Hotspur said yesterday the market was "very different from that anticipated, and the product mixture has been changed considerably to meet it."

A major part of Hotspur's longer-established activities is

armour-plating (it is a contractor to Rolls-Royce, among others) and it developed the first armoured Land Rovers for use in Northern Ireland.

Hotspur is continuing to build the six-wheel-drive Land Rovers, but is placing greater stress on armoured the vehicles — they are primarily for military customers — and similarly equipping other Land Rovers. It recently acquired a £1m contract to armour four-wheel-drive Land Rovers for the Egyptian security forces.

Part of the extra financing is apparently to cover the investment in equipment and materials for the Egyptian order.

Hotspur said at the time of the venture's launch it would eventually employ 100 people. Currently, the company says, it is building "towards the 40 mark" to cope with the Egyptian order.

SMC Engineering meanwhile has developed a forward control version of the Land Rover — the driver sits above and slightly ahead of the front axle. It is being produced as a joint venture with Langwell Green coachworks of Bristol. SMC is marketing the vehicle itself initially, but is expecting shortly formal manufacturing approval from Land Rover, which will then help market it. The latest SMC product is also aimed primarily at military users.

Blaenau's £1.4m railway station to aid tourism

BY ROBIN REEVES, WELSH CORRESPONDENT

A NEW £1.4m railway station which, it is hoped, will encourage the local economy, was officially inaugurated at Blaenau Ffestiniog, North Wales, yesterday.

The town's station has been redeveloped on a new site to provide a direct link between British Rail's Conway Valley line and the Ffestiniog narrow gauge railway and to give the once thriving slate mining community a bigger slice of the regional tourist trade.

The station will take tourists right to Blaenau Ffestiniog's town centre, fulfilling an age-old dream of its civic leaders.

The slate mines still enjoy a demand from the building trade for specialist applications. They have been transformed into prizewinning tourist attractions. Now they can be integrated through the railway system, with north and mid-Wales coastal resorts where most of the tourists stay.

A measure of expectations of the benefit the station may bring to the local economy is

that no fewer than six public authorities have agreed to contribute towards its cost. They range from the local district council (£116,000) to the Welsh Office and EEC, which have provided some £300,000 each in grants.

The Development Board for Rural Wales is building a block of craft workshops close to the station as part of the redevelopment. The project would probably not have been possible but for a successful legal battle fought by the largely amateur Ffestiniog Railway Company in 1960, which forced the Central Electricity Generating Board to compensate for drowning original rail route to the town for an electricity pump storage scheme. The victory gave the Ffestiniog Railway the funds required to build a fresh route for its track across some of the most rugged terrain in the country. BR says it will do everything it can to boost traffic through special concessionary tickets.

Men and Matters, Page 20

Plans to develop Preston docks as an estate

BY NICK GARNETT

DETAILED proposals for redevelopment of the former Preston Docks closed after a history of almost continuous loss-making, were unveiled yesterday by four consortia.

The schemes, ranged in cost from £50m to £100m, involving leading construction companies. They included varying mixes of industrial, housing and leisure developments.

Some major employers, including GEC and British Aerospace, have already shown interest in the proposals. Redevelopment of the 450-acre dock area is seen in Preston as a means of regenerating its industrial base, seriously weakened by the recession. But the schemes face a hard task in attracting industry, with some competition only a stone's throw away.

This competition includes the Red Scar site of the Courtauld's plant, which shut down two years ago. The site has been purchased by Central Lancashire Development Corpor-

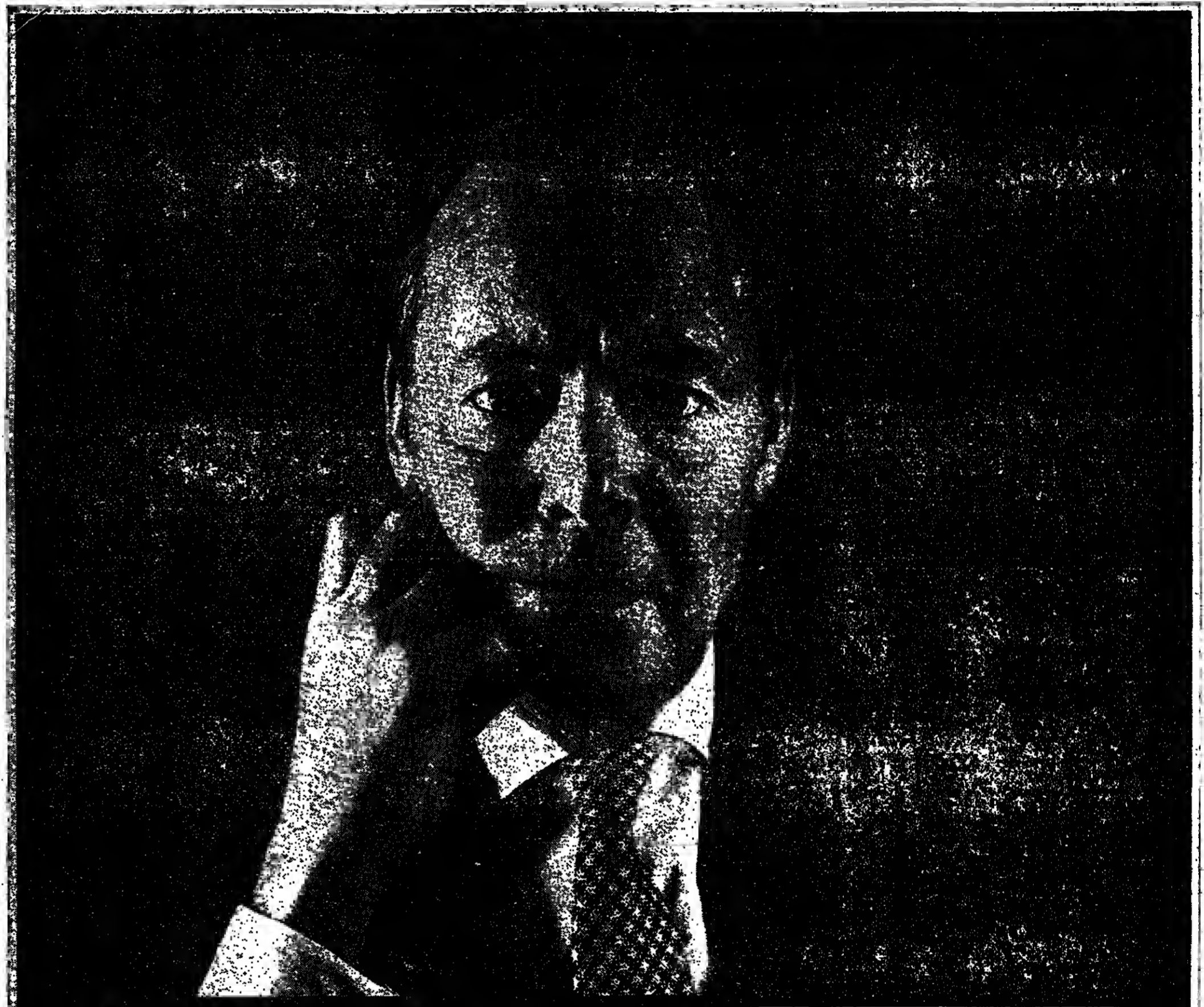
ation for an industrial estate. The four development proposals come from Riverside Development — a partnership between Wimpey and some Preston companies; Henry Boot; a consortium formed by John Mowlem; and Preston Guild Development.

The schemes could provide long-term jobs for 2,000 to 6,000 people and all feature leisure facilities centred around a 45-acre lake.

The borough council, which will be assessing over the next few months which of the schemes are the most attractive, believes that the water gives the site a unique attraction.

Apart from the Courtauld's shutdown with the loss of 2,800 jobs, the town has seen the death in the past few years of the Seddon Askinson truck plant, the A.S. Orr cotton mill and one of the two Thorn lighting plants.

After the recent Leyland job losses, unemployment in the Preston area is likely to rise to 13.7 per cent.



FEAR IS THAT WHAT'S HOLDING INDUSTRY BACK?

The decline of industry could be attributed to management's fear of making the wrong decisions. Or in some cases, making any decisions at all.

And when it comes to deciding upon a computer system (a resolution that takes a little more wit than most), you'd be surprised how many managers go for the easy option of IBM.

Don't get us wrong though. We're not knocking the qualities of IBM. But we are suggesting that there is a more positive choice. A company that provides a fully compatible alternative.

National Advanced Systems. With the financial strength and manufacturing expertise of National Semiconductor behind us, we offer a systems support and maintenance service that Datapro rate as the best in Europe.

Which goes a long way to explain why NAS has become the world's largest supplier of IBM compatible

computer products. We've more customers and more installations at more locations than any other PCM computer company.

Just some of the facts that convinced the likes of British Airways, Unilever and Guardian Royal Exchange to choose National Advanced Systems.

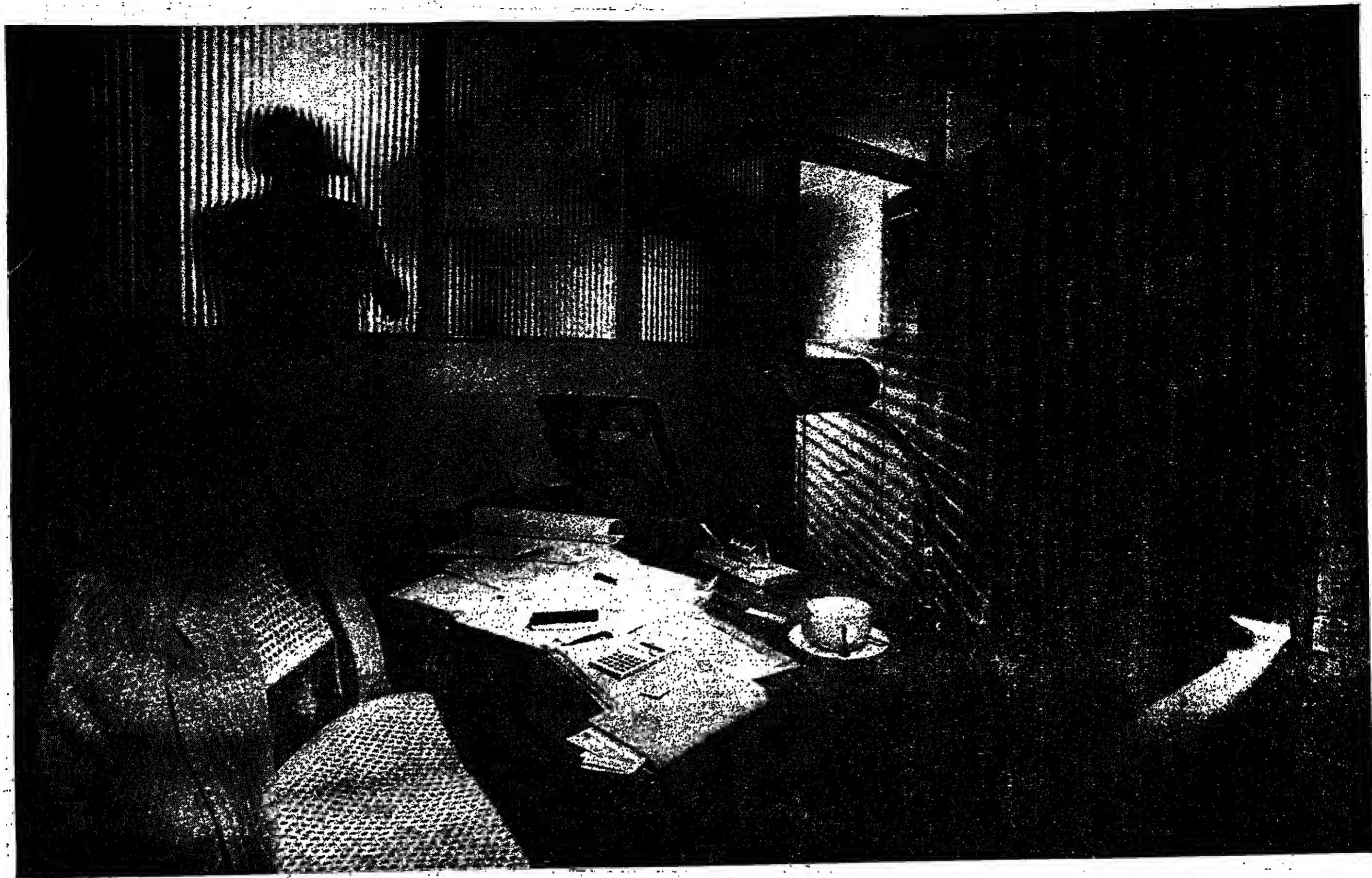
So, when deciding upon a new computer system, talk to us first. Always providing of course, you're not afraid to do so.



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MAPCO INC.
Tulsa, Oklahoma 74119



"I'd left \$1600 in my wallet and it wasn't in American Express Travellers Cheques. The phone rang in the office next door..."

I was working late in our overseas office and everyone else had gone home. The bell was getting on my nerves so I went to answer it. While I was talking I suddenly had a scary feeling. Someone was next door.

My mind flashed back to the wallet on my desk. It had all my travel money in it. I slammed down the phone and ran back into my office expecting to find a thief. It was only the cleaner.

It was an embarrassing moment, but it taught me a lesson. In future I'd carry most of my money in American Express Travellers Cheques.

Why American Express? Here are some facts about them that will surprise you as much as they surprised me:

1. If your American Express Travellers Cheques are lost or stolen, you can get them replaced while you're still travelling, so your trip isn't ruined. You don't have to wait till you return home.
2. American Express can refund your

cheques even if it was entirely your fault that you lost them.

3. The reason that American Express Travellers Cheques can be refunded so fast is that American Express is a world wide organisation. There are Travel Service Offices of American Express Company, its subsidiaries or Representatives in 160 countries around the world. So the chances are that they're on the spot to help you when you need them.

4. American Express invented the travellers cheque in 1891. Today they operate the world's most experienced refund system.

5. American Express is a world famous name. People recognise it and trust it, so you'll find countless hotels, shops and restaurants around the world where they're happy to accept American Express Travellers Cheques just like cash. This means that you don't always have to go to a bank to change them.

American Express Travellers Cheques are available in US Dollars, a currency that's understood around the world, as well as in other major currencies.

Next time you travel abroad, take the world's leading travellers cheques. There's no safer way to carry your money.



American Express Travellers Cheques.

THE MANAGEMENT PAGE: Small Business

Why a buy-out became a sell-out

ClinPath failed to survive after leaving its former parent. Tim Dickson reports

THANKS to the warm feeling of security that usually goes with working for a large American corporation...

sold its business for an undisclosed sum to the UK operation of Metpath Inc, itself part of Corning Glass.

No return

This was a management buy-out from G. D. Searle, ClinPath's original parent company and a big U.S. pharmaceuticals concern...

Most of the 26 other ClinPath staff have found jobs elsewhere but sadly there is unlikely to be any return for the ordinary shareholders...

herited and were stuck with a structure which was appropriate when some of the costs were being absorbed by a large organisation...

The costs and administrative problems were compounded by the division of ClinPath's activities between High Wycombe and London...

to be devoted to areas where we were better equipped," says Craig. "In retrospect we should have sold Harley Street earlier...

Although these efforts paid off in terms of new volume profits from this overseas business did not show a commensurate rise...

Debtors

ClinPath was also hit by a series of less predictable setbacks. The Irish postal strike, for example, came as a devastating blow shortly after trading started in 1979...

income for a six-month period put a severe strain on the company's cash flow. Collection of "receivables" was always a major headache...

Management time is always precious in a struggling company and much of Craig's energy in the last two years was spent trying to recover £33,000 of VAT repayments...



More optimistic times: Dr Alan Craig (left) in ClinPath's laboratory shortly after the buy-out was completed in 1979.

sales growth, however, was not great enough to compensate for the costs involved—new capital equipment, new stock, chemicals and glassware—in building up the High Wycombe operation...

They back. "The danger with management buyouts is that institutions, which like the idea of an experienced team, get up most of the cash and the managers contribute all the technical and marketing skill," he says.

"This is obviously attractive to a lot of small businesses but I do not think that it is necessarily in their best interests."

Aiming to make it in the UK

POLAROID (UK), which claims to be Europe's largest camera manufacturer, will be making around £1m of business available to small companies at the "Can You Make It?" exhibition...

ponents currently being imported by large companies into the UK.

The hope is that 10,000 or so small companies which have been invited will quote for the business on offer. So far, 600 firm bookings have been received by the organisers.

system, only about 25 are made in the UK, a figure which Polaroid is quite sure it can increase to more than 50.

Overall, a possible £100m of new orders await small businessmen who visit the exhibition...

In brief...

WITH NEW buy-outs being announced almost weekly, the latest idea is a Management Buy-Out Association (MBA). The proposal comes from George Bloomfield...

self (to a greater or lesser degree) into proprietors in the business which they have managed."

Bloomfield is anxious to hear from individuals and organisations willing to pool their knowledge and experience. Write to: Melville Technologies, Spring Road, Letchworth, Hertfordshire.

the Ministry of Agriculture Fisheries and Food's Less Favoured Areas in Cumbria, Durham, North Yorkshire (though not in the North York Moors), Staffordshire, Derbyshire, Shropshire, Hereford and Worcester.

IF THE Confederation of British Industry's Quarterly Trends Survey had a category for small business books, it would surely show that this sector is booming.

There is a lot of overlap with the Bank of England's Money For Business but the CBI version is easier to read and the cross-references are useful.

"WHAT do Sir Freddie Laker, the woman who runs the corner shop and your local plumber have in common?"

main associations are listed. Price £3.50. Available from CBI Publication Sales, 103 New Oxford Street, London WC1A 1DU.

"We endeavour to monitor progress and where problems do arise provide constructive help. Nevertheless there will be failures."

Win the pot of gold at the end of this rainbow. If your small business is poised for take-off, enter the 'Expanding Northampton New Horizons Competition'.

Please send me entry form and full details. Name: Address: Send coupon to: The General Manager (New Horizons), Northampton Development Corporation, Freepost 3, Northants NN4 0BA.

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FINANCIAL TIMES

Eurobond Quotations and Yields



The Association of International Bond Dealers

at 28th February 1982

Eurobonds in February

BY OUR EUROMARKETS STAFF

The Association of International Bond Dealers (AIBD) compiles current market quotations and yields for Eurobond issues.

These quotations and yields are published monthly by the Financial Times. The Association's prices and yields are compiled from quotations obtained from market-makers on the last working day of each month.

There is no single stock exchange for Eurobonds in the usually recognised sense—secondary market trading business is done on the telephone between dealers scattered across the world's major financial centres.

Membership of the AIBD (which was established in 1969) comprises over 550 institutions from about 30 countries.

THE FLOOD of zero coupon issues the Eurodollar market saw in January slowed to a trickle then reached a standstill in February.

In the first half of the month a total of only six new zero coupon bonds were launched with a nominal value of \$1.65bn. The actual amount raised was \$253.9m (£195.4m).

Gaz de France was first in the market, with a second \$150m zero coupon in less than a week, through Credit Commercial de France. This issue

was priced at 19.55 per cent to give a yield of 14.42 per cent.

In the same week, General Motors Acceptance Corporation (GMAC) came again to this sector, through Salomon Bros, with a \$400m ten-year issue, the third zero coupon for GMAC in three weeks, offering a yield of 14.5 per cent. CSFB also announced a \$125m 12-year zero coupon bond for PepsiCo, priced to yield 14 per cent.

Three more zero coupon issues were launched in the second week of the month. Gulf Oil launched a \$300m

ten-year bond through Dean Witter Reynolds, Deutsche Bank and UBS (Securities). This was also priced to yield 14.5 per cent. The two other zero coupon bonds were for General Electric, with Morgan Stanley and Goldman Sachs as the lead managers. Both issues, one \$50m for 13 years, and the other \$200m, for 12 years, were to give a yield of 14.47 per cent.

This was the last of zero coupons in February until Swedish Export Credit announced at the end of the month

that it was raising \$200m in a 12-year bond, priced to yield 14.5 per cent and Morgan Stanley and Goldman Sachs were the lead managers.

The stemming of the tide of zero coupon bonds could be partly due to signals from the Japanese Finance Minister calling a halt to the sale of foreign-issued zero coupon bonds to residents because they provided a tax shelter for individual Japanese investors as well as causing substantial capital outflows.

Fixed interest paper looked as though it was going out of fashion in February as a number of floating rate and adjustable rate bonds were issued. Two French borrowers were the first on the market.

On February 3, Societe Generale, through Samuel Montagu, launched a \$250m 12-year issue, to be sold in \$100,000 denominations appealing only to large investors and banks. Later that week Credit National, the state financing agency, offered \$200m 12-year paper, through Paribas, Salomon Bros, BNP and Goldman Sachs.

Both issues, with a spread of a quarter over six month Libor, and with a 5½ minimum coupon, sold quickly.

Societe Generale came back as lead manager of the \$50m 10-year floating rate note for the Italian public financial institution IML, again with a minimum coupon of 5½ and a spread of a quarter over six month Libor.

Sweden set a new record in coming to the market with a \$650m FRN (increased from an original \$400m) through CSFB. A \$100m 10-year FRN was launched also for Denmark through lead managers Citicorp Intl, Chase Manhattan, Fuji Intl and Morgan Guaranty.

below the London interbank bid rate at the time of interest rate fixing. In the latter half of the month, the National Bank of Abu Dhabi launched a \$40m 10-year floating rate note for Multibanco Commercier of Mexico.

SOFTB—the Swiss subsidiary

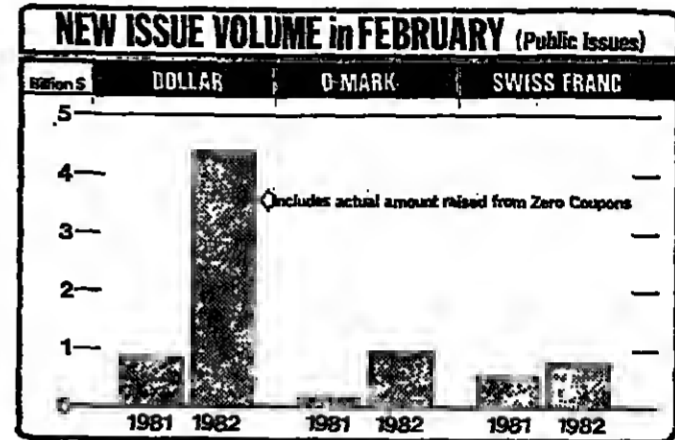
had two warrants attached to each note, entitling the holder to buy seven-year fixed rate paper with a 16½ per cent coupon. Altogether, the borrower has the possibility of raising \$150m.

In addition to floating rate notes, bonds with adjustable rates became a feature of the Eurodollar sector. Such issues can usually be redeemed after each three years and the borrower has the right to set a new interest rate. Adjustable bonds were launched for both Mexico and Citicorp.

Interest rates dropped towards the end of February, prompting a massive \$1.2bn of new fixed interest issues in the last week of the month. Most of this paper seems to have been placed with relative ease, as it was generally of good quality.

In Germany, the D-Mark foreign bond calendar was set on February 8, for a two-month period, and presented the longest queue of issues yet arranged, with DM 2.3bn of new paper. Traders were concerned about the poor quality of some of the borrowers' names.

In the Eurodollar, D-Mark and Swiss Franc secondary market prices rose during the second half of the month to compensate for a poorer beginning to February. This reflection of the falling interest rates meant that prices in all three sectors ended the month on an upward trend.



GROUP HEADINGS	PAGE	GROUP HEADINGS	PAGE	GROUP HEADINGS	PAGE
US Dollars—Algeria	II	US Dollars—New Zealand	II	Japanese Yen	IV
—Argentina	II	—Norway	II	Kuwaiti Dinars	IV
—Australia	II	—Panama	II	Kroner (Denmark)	IV
—Austria	II	—Papua	II	Kroner (Norway)	IV
—Belgium	II	—Portugal	II	Luxembourg Francs	IV
—Bolivia	II	US Dollars—Singapore	II	Saudi Riyals	IV
—Brazil	II	—South Africa	II	Sterling/DM	IV
US Dollars—Canada	II	—Spain	II	Australian Dollar/DM	IV
—Colombia	II	—Sweden	II-III	External Sterling Issues	IV
—Denmark	II	US Dollars—Switzerland	II-III	Sterling Floating Rate	IV
—Finland	II	—Venezuela	III	Special Drawing Rights	IV
US Dollars—France	II	—United Kingdom	III	Convertibles—Australia	IV
—Germany	II	—United States	III	—Canada	IV
—Greece	II	US Dollars—Multinational	III	—Denmark	IV
US Dollars—Hong Kong	II	—Supranational	III	Convertibles—France	IV
—Hungary	II	US Dollars—Floating Rate	III	—Hong Kong	IV
—Iceland	II	Australian Dollars	IV	—Japan	IV
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—Israel	II	Canadian Dollars	IV	Convertibles—Singapore	IV
—Italy	II	Eurodollars	IV	—S. Africa	IV
US Dollars—Japan	II	Euro Composite Units	IV	—Sweden	VI
—Korea	II	Euro Currency Units	IV	—Switzerland	VI
—Luxembourg	II	Euro Units of Account	IV	—U.K.	VI
—Mexico	II	French Francs	IV	Convertibles—U.S.	VI
—Netherlands	II	Hong Kong Dollars	IV		

The table of quotations and yields gives the latest rates available on February 26, 1982. This information is from reports from official and other sources which the Association of International Bond Dealers considers to be reliable, but adequate means of checking its accuracy are not available and the Association does not guarantee that the information it contains is accurate or complete.

All rates quoted are for indication purposes only and are not based on, nor are they intended to be used as a basis for, particular transactions. In quoting the rates the Association does not undertake that its members will take in all the listed Eurobonds and the Association, its members and the Financial Times Limited do not accept any responsibility for errors in the table.

COMPILED FOR THE ASSOCIATION OF INTERNATIONAL BOND DEALERS BY DATASTREAM INTERNATIONAL LTD

New issue. These securities having been sold, this announcement appears as a matter of record only. February 1982.



Altos Hornos de México, S.A.

(A company incorporated in Mexico with limited liability and a member of the Sidermex group of companies)

U.S. \$100,000,000
Floating Rate Notes due 1987

Lloyds Bank International Limited
Bank of Tokyo International Limited Banque Nationale de Paris
Banque de Paris et des Pays-Bas

Crédit Lyonnais Sumitomo Finance International



This announcement appears as a matter of record only.



PHILIP MORRIS
INCORPORATED

US \$8,424,869

Medium-term Italian export credit relating to a contract with

Sasib S.p.A.

With an interest subsidy granted by

Istituto Centrale per il Credito a Medio Termine
- Mediocredito Centrale

Italian Paying Agent

Banca Nazionale del Lavoro

The facility has been arranged and the funds will be provided by

Morgan Grenfell & Co. Limited

Main table containing financial data for various countries including Australia, Canada, and the US. Columns include country, currency, and various financial metrics.

Continuation of the main table, covering financial data for countries like France, Italy, and others. Columns include country, currency, and various financial metrics.

Main table containing financial data for various companies and sectors, including columns for company names, stock prices, and other financial metrics.

Continuation of the financial data table from the previous page, listing various companies and their corresponding market values.

Main table containing financial data for various countries and currencies, including columns for currency, rate, and date.

Table containing financial data for various countries and currencies, including columns for currency, rate, and date.

WestLB Euro-Deutschmarkbond Quotations and yields

Main table of WestLB Euro-Deutschmarkbond Quotations and yields. Columns include Name, Maturity, Yield, and Price. Rows list various international and domestic bonds.

WestLB SD Certificats (Schuldschein-Index) 5 years maturity: 9.75%

Table of WestLB SD Certificats (Schuldschein-Index) with 5 years maturity at 9.75%. Columns include Name, Maturity, Yield, and Price.

WestLB logo and contact information for current prices and further information. Includes addresses in Düsseldorf, London, and Luxembourg.

Table of WestLB Euro-Deutschmarkbond Yield Index. Columns include Name, Yield, and Price.

Table of WestLB Euro-Deutschmarkbond Yield Index (continued). Columns include Name, Yield, and Price.

Table of financial data with multiple columns for various categories like 'CONVERTIBLES-ITALY', 'CONVERTIBLES-GERMANY', etc., listing company names, dates, and numerical values.

WestLB Euro-Deutschbond Quotations (Continued)

Table of WestLB Euro-Deutschbond Quotations (Continued) with columns for Name, Issue, Current Yield, Yield to Maturity, and Life.

INVESTMENT FUNDS

The following funds include Eurobond issues within their portfolios. Quotations & yields as at 28th February, 1982.

Table of Investment Funds with columns for Fund Name, Price, First Issue, Yield %, Div. Date, and other financial metrics.

THE ARTS

Wigmore Hall

Songmakers' Goethe

It is 150 years since Goethe died. Commemorations are variously afoot, even in London...

Wassermann to match their prelude Brahms "Warum?" and for further variety there were duets by Brahms and Schubert...

DAVID MURRAY

Wigmore Hall

Melos Quartet

Because it included Shostakovich's eighth quartet, Saturday's recital by the Melos Quartet of Stuttgart was squeezed into the Wigmore Hall's "Russian Series..."

A tendency to "iron out" extremes of expression could be detected also in the Shostakovich, but music which lives on its nerve ends as the eighth quartet does can benefit from a more considered, less neurotic approach...

ANDREW CLEMENTS

London galleries

Ben Nicholson & Harold Gilman

by WILLIAM PACKER

Longevity is a great distinguisher: and Ben Nicholson, who died early last month at the age of 87, was without doubt one of the three or four most distinguished British artists not just of his generation but of his time...

Nicholson was never particularly the innovator, nor even did he exert what might be called a lasting direct influence...

The earliest of the two paintings at Browse and Darby is from 1918, the artist in his middle twenties working close to his father's style...

The second painting comes about a decade later, and is a work of the artist's early and clear maturity...

His good fortune was to enjoy a long life and the recognition of his art, but it is clear that he fulfilled himself as it were completed his gift...

He was a distinctive and, yes, distinguished member of the Camden Town group of painters, but his effective career was so short that he had no time to



Artist's Mother in Bed by Harold Gilman

enjoy any independent reputation, and such are the habits of art history and criticism that he is unlikely to escape now...

But now Andrew Causey and Richard Thompson of Manchester University have put together a proper study of Gilman, which the Arts Council has been touring and is now at the Royal Academy...

His drawing is strong and direct, his handling of paint instinctive and unforced, and more than that, at his best which might have been his most characteristic, his colour is radically inventive and exploratory...

The tones may be close, and pitched rather low, but the harmonies are oddly powerful for all that, flesh for example described with entire conviction in terms of lavender, eau-de-nil, maroon and orange...

Brent Town Hall

Guinness Prizewinner by ANDREW CLEMENTS

The composition prize awarded jointly by the Guinness Company and the London Borough of Brent takes the most practical possible form for a young composer: the commission and performance of a short orchestral work...

Turnage was born in 1960. His is not the traditional name: the Society for the Promotion of New Music has introduced three of his works; and only last month Dominic Gill wrote favourably here of the latest of those, Night Dances...

Turnage handles both his thematic reservoir — some of it derived from a John Coltrane solo which gives the work its title — and his orchestral forces expertly...

Turnage handles both his thematic reservoir — some of it derived from a John Coltrane solo which gives the work its title — and his orchestral forces expertly...

progressions and the luminosity of the orchestration. The two instrumental solos, for cello and one trumpet, which dominate the first and last sections, are grateful musical

images in their own right, and were gratefully played by the Smith Square Orchestra principals. An impressive work, one looks forward to future developments

British Horn Festival

The third British Horn Festival will take place on Saturday April 10, at the Guildhall School of Music and Drama, Stik St., in the Barbican.

The programme will follow a similar format to previous years including an exhibition of leading makers of horns, a massed horn ensemble directed by Alan Civil and a series of discussions and recitals.

Munich Philharmonic Orchestra, Daniel Bogue (1st Horn Paris Opera), Hans Pizka (1st Horn Munich Opera). There will also be a recital by some promising young professional players.

The day finishes with a gala concert which will start at 7.15 pm and be given by Alan Civil, Horn James, Tony Halstead and the Festival Horn ensemble.

Full details including booking information is available from the British Horn Society, 118 Long Acre, London WC2.

Round House

Camden Jazz

by KEVIN HENRIQUES

The revolutionary music of the Association for the Advancement of Creative Musicians (AACM) hung heavily over the six days of the latest Camden Jazz Week which ended on Saturday...

The Ensemble's members — two saxophonists, a trumpeter, bassist and drummer, all of whom blow and hit a multiplicity of other instruments — play what they term "Great Black Music: Ancient to the Future..."

There were few moments of beauty or relief from the frenetic playing of saxophonist Joseph Jarman and Roscoe Mitchell heavily underpinned by the turbulent drumming of Don Moye...

Lester Bowie, with a commanding control of his instrument at times threatened to take things back along the road to New Orleans — once when he played a soulful blues along with bassist Malachi Favors...

In their revolutionary concept the Art Ensemble seems to have taken jazz, or rather

Bleek Music, as far as it is possible to go without resorting to electronics. It is hard to conceive where they can take the music now. In contrast the concluding evening provided less demanding but, for me at least, more satisfying and accessible jazz of a more communicating nature...

The evening's climax was a two-hour feast of roaring, blistering tenor sax playing from gigantic Dexter Gordon and diminutive Johnny Griffin. On their own, these two are among the most exciting and complete tenorists around...

Both specialise in fitting in quotes in their solos from popular songs which this time ranged from "The Entry of the Gladiators" to "The Yellow Rose of Texas..."

Old Red Lion

In Kanada

by ROSALIND CARNE

Hard facts can pose as many problems for the playwright as pure invention, but here is a highly effective marriage of dramatic contrivance and the stuff of history...

The camp scenes are graphic and brutal, without stretching credibility, though the horror of inchoate moral insensibility looms even blacker than physical violence...

Two women stab at Tadek's conscience, his former mistress, Ewa, who dares to stand up against the authorities, and his wife, Maria.

the news of the recent imprisonment by the Government he serves, of his old friend Honi, one of the few Jews to escape in the war.

The camp scenes are graphic and brutal, without stretching credibility, though the horror of inchoate moral insensibility looms even blacker than physical violence...

Two women stab at Tadek's conscience, his former mistress, Ewa, who dares to stand up against the authorities, and his wife, Maria.

Tom Karol gives anguished sharp focus to the older Tadek, and Martin Stone brings energetic idealism to his youthful counterpart. He is particularly good during innocent moments with the young Maria, a bitter-sweet memory for the older, wisecracking man who looks on...

THEATRES

ALBERT 5.30 3.75. Credit cards 3.75. 8.30 5.00. 8.30 5.00. 8.30 5.00. 8.30 5.00.

ALBERT 5.30 3.75. Credit cards 3.75. 8.30 5.00. 8.30 5.00. 8.30 5.00. 8.30 5.00.

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ALBERT 5.30 3.75. Credit cards 3.75. 8.30 5.00. 8.30 5.00. 8.30 5.00. 8.30 5.00.

F.T. CROSSWORD PUZZLE No. 4829. A crossword puzzle grid with clues for Across and Down. Includes a solution key for puzzle No. 4828.

Spanish Banking

Further reforms are underway in the Spanish banking system. The basic pressure for change has come from the mixture of the patent unworkability of traditional and rigid systems and the need to realign Spanish banking with that of the EEC.

Sector enters period of consolidation

BY ROBERT GRAHAM IN MADRID

THE THEME of a highly successful set of bank advertisements last year has had a snowball effect in the world of Spanish banking—the advertisements preached the message in a catchy way that the bank was no longer a passive instrument. Instead, it was desperately anxious to win new clients, selling a range of "products."

The advertisements aptly caught the mood of change now transforming the Spanish banking system, with the better-managed and more aggressive institutions spearheading a campaign to dust off their traditional conservative image.

The change is not limited to one of image: the transformation extends to the introduction of new forms of business, greater liberalisation and the presence of foreign banks.

The banking sector has witnessed the greatest transformation and the broadest level of liberalisation since the death of Franco in 1975.

While banking still remains an enormously privileged sector, hedged round by various protective mechanisms, it has nevertheless, become that part of the economy closest to the European norm.

The reforms began in 1977 and now, with the main measures introduced, the system is about to witness a period of consolidation. The main measures have concerned liberalising credit, the introduction of foreign banks and the creation of new instruments like acceptances.

The basic pressure for change has come from a mixture of the patent unworkability of the

previous rigid system and the need to realign Spanish banking with that of the EEC. However, these pressures have coincided with a generational change under way in the management of the banks which traditionally have been something of a gerontocracy.

It has been notable, for instance, how those banks headed by younger managements have been either less resistant or openly welcome to change—a stark contrast to the outright opposition or grudging acceptance of the older managements.

In particular, the nation's largest bank, Banesto, remains the most conservative and is still run by a sprightly but tradition-bound 84-year-old, Sr Jose Maria Aguirre Gonzalez.

Despite Banesto's very successful profit record, the persistence of its deeply conservative image at the head of the banking system is considered unfortunate by the younger generation of bankers.

What have banks like Banesto been opposing or reluctant to accept? Undoubtedly, the hardest thing to stomach has been the presence of the foreign banks. Restrictions on foreign bank operations were lifted by a 1978 decree which permitted them to hold up to three branches or opt to form a Spanish registered bank with a minimum asset base of Pta 1.5bn.

Until this decree, only four foreign banks had been operating in Spain—all banks who had enjoyed long historical associations with the country. Now, 30 foreign banks have branch operations.

At the same time, two banks, Barclays and BNP, have been allowed to buy into the banking system by taking over ailing Spanish banks. Both these takeovers occurred last year and gave a major jolt to the Spanish banks which had never taken seriously the prospect of foreign ownership.

Efforts by a group of Spanish banks to prevent the takeover of Banca Lopez Quesada presented one of the most unifying spectacles of the year. Their offer was hurried through at the last moment, without much enthusiasm, and in the hope that the authorities would accept a much lower price from domestic banks.

The offer collapsed when several of the banks in the group realised that it made no sense fighting to prevent the influence of foreign banks by bidding up for an ailing bank.

The authorities, for their part, believe that the foreign presence is now near sufficient for the size of the Spanish banking system. At present, only a notably superior foreign bid for an ailing bank would be countenanced while the purchase of a healthy bank is ruled out.

The foreign presence has been less important in terms of capturing new shares of the market, and more so as a catalyst for the liberalisation measures being introduced by the authorities. For instance, the restrictions on the foreign banks in their peseta dealings have obliged them to invent instruments such as acceptances and floating rate peseta loans — instruments which the Spanish banks have quickly picked up, even though initially spurned. The foreign banks have shaken up the time-honoured method, and they have stimulated the creation of money-brokers.

Just as significant, their presence has aided a campaign by a few of the banks and the Bank of Spain to present better accounts. This greater transparency and greater competitiveness has begun to be reflected in tighter margins although these still remain high by international standards.

One of the reasons why these margins remain high is the continuing system of "privileged circuits." This is a mechanism whereby a significant proportion of commercial and saving bank deposits are tied up in officially directed investments, so forcing up the rate charged on the remaining "free" funds.

The proportion varies between commercial and savings banks, but in the case of the latter it amounts effectively to almost 30 per cent of deposits being tied up in this way.

These funds are lent on soft terms, averaging under 8 per cent and act as a form of concealed subsidy to the recipient. This means of compulsory funding of term finance played a big part in the industrial boom of the 1960s and early 70s, but it is looking increasingly out of place in an advanced policy of liberalisation.

The proportion of funds the

banks are obliged to set aside is being progressively reduced. The authorities feel, however, that they cannot abolish the mechanism so long as the money markets are unevolved and term finance is hard to obtain. They have had to content themselves with freeing controls on rates paid for peseta deposits over six months and stimulating the growth of a competitive market for short term public debt.

Cost of deposits

The banks fought a tough rearguard action to prevent the Bank of Spain opening up short-term debt to the general public — afraid that this would raise the cost of their deposits.

The Bank of Spain ignored their arguments, however, and announced last month that fully public auctions would be held shortly. The real effect on the cost of deposits will be less than the banks make out, since most are paying under-the-table extra rates, a practice which should now be lessened.

The recession has also helped shake the complacency of the banks. Spain has suffered a recession for close on five years now. The effects of this have been keenly felt because the larger commercial banks — through their customer base, via investments and through their affiliates — are directly involved to all sectors of the economy.

The cost of this involvement has been evident in the massive annual increases in provisions for bad debts and portfolio writedowns. Since the beginning of the recession, the "big seven" commercial banks have had to set aside in this respect almost \$2bn. The fact that they have continued to thrive underlines the fat in the system and improved management.

Not all the banks have fared so well. During the past four years the country has witnessed its worst-ever banking crisis. More than 20 banks have been affected, with 18 being given overt assistance.

The total cost to the banking system of these failures has been over \$600m.

In proportion to the size of the economy, this has been arguably Europe's most serious banking crisis.

The failed banks have found themselves in trouble for essentially similar reasons — over-rapid expansion, insufficient official controls, a high degree of lending between affiliates or to shareholders, coupled with incompetence and outright fraud.

Where possible, the Bank of Spain, working in conjunction with the banks, has sought to prevent bankruptcy. Instead, ailing banks have been taken over first by the Corporacion Bancaria, the so-called "bank hospital" and latterly by a deposit guarantee fund.

The latter is funded on a one per 1,000 basis by the banks with a matching contribution from the Bank of Spain.

Remarkably, despite the scale of the failures, equivalent

CONTENTS

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Editorial production of this survey was by Mike Wiltshire and Philip Hunt.

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SPAIN'S TOP TEN BANKS

Table with columns: Bank Name, Established, Headquarters, Size (bn Ptas), Branches (no.), 1981 Net income (bn Ptas), Return on assets, Return on equity, Profitability ratios, Interest margin. Lists top 10 banks including Banco Espanol de Credito, Banco Central, Banco Hispano Americano, etc.

* Assets less contra accounts, end 1981. † 1980 figures. ‡ Based on 1980 figure; net income to average assets; net income to average equity; net interest income as a percentage of average assets.

Source: IBCA Banking Analysis, The Bankers Almanac and bank balance sheets.

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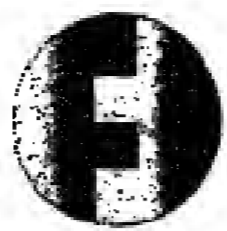
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SPANISH BANKING IV



The Bank of Spain (above) is acutely conscious of the need for "preventive medicine" in the banking system, in the form of improved inspection, auditing and legislation

Robert Graham examines the widespread repercussions of Spain's major banking crisis

Authorities seek to boost confidence

SPAIN SINCE 1978 has witnessed a major banking crisis. The world crisis has been used so frequently that it tends to understate the gravity and misrepresent the meaning of what has happened.

In crude terms, over 20 of the nation's banks have been affected. One has been declared bankrupt, another has gone into temporary receivership, one has been struck off the banking register and the rest have had to be assisted in one form or another — assistance without which they would have been unable to survive. Approximately four per cent of the banking systems' deposits have been affected and the problems that led to these banks' troubles have not yet entirely disappeared. Within the banking community there is a list of at least three banks still at risk. Spain has experienced one of the most serious banking crises in Europe — and yet, surprisingly, it has had little impact outside Spain and little more inside Spain.

The lack of international impact is explained by the fact that no foreign capital has been involved. Domestically, the explanation would appear to be twofold. The banking authorities and the banking community

have seen it in their mutual interest to bolster confidence in the banking system.

No major collapse has been permitted, and at the same time ordinary depositors have been effectively guaranteed against losses. The cost has, therefore, been borne in part by the banking system itself, partially by the Bank of Spain and treasury and also by a limited number of shareholders in the banks affected.

The cost

This said, the scale of the rescue operations and losses should not be forgotten. Since 1978 the cost of the banking crisis has been in the order of \$600m, perhaps more — while net losses borne either by the banks or the Bank of Spain are in the region of \$250m.

The cause of the crisis is not hard to pinpoint. Banking, like all other sectors of the economy, has been affected by the recession which began to bite in 1977 and is still here.

Investments in the banking sector, just as much as industry, were made on the basis of grossly optimistic growth estimates. Over-ambitious programmes of branch-expansion

were undertaken and had to be paid for just when wages began to spiral and financial costs rose.

Even for the well-mannered banks this abrupt change presented serious problems. However, lax banking control had permitted a group of bankers to emerge who had little conception how to operate under such circumstances.

All too often, bad management was, in some cases, compounded by claims of outright fraud — bank shares were bought through shell companies on behalf of directors financed through allegedly phoney re-valuation of assets; investments were made in falsely assessed real estate; money was purchased expensively on the inter-bank market and deposits were obtained through below-board extra-interest payments. The failed banks have been simple enough to identify, almost by their branch expansion alone.

Just for the record, there have so far been 11 indictments for various illegal banking offences and two successful prosecutions. But the law is weak, outdated and desperately inadequate to cope.

It also seems that the authorities have preferred to shore up confidence in the banking system, rather than to risk lengthy, embarrassing — and probably ineffectual — legal proceedings. Many prominent political figures have been associated, or on, the boards of the failed banks.

Ill prepared

When the crisis first broke, both the authorities and the banking community were poorly prepared. It was only in late 1977 that a law was passed guaranteeing depositors in banks and savings banks up to Ptas 500,000.

In early 1978, when the first bank failed, there was no mechanism to assist other than antiquated laws that treated bank bankruptcies in the same way as any other commercial enterprise.

The first effort to ensure confidence in the banking system was little more than improvisation. This was the so-called "bank hospital" — the Corporación Bancaria — which was funded with small capital jointly by the banks and the Bank of Spain.

The idea was that since no individual bank was prepared to takeover the ailing bank, the system would assume collective responsibility by acquiring the majority of shares at a symbolic price (usually a nominal pittance). The Corporation would then take over the bank but unlike a liquidator it would seek to restructure the bank, cleaning it up so that it could then be sold back to the private sector.

This philosophy was based on the premise that there would be few banks involved. The fundamental weakness of the Corporation was exposed when it became clear that more banks were ailing and that refoating required more money which the institution did not have.

Further, the Corporation could only take over those banks where it was possible to acquire a majority of the shares (ie, when there was an identifiable majority block). Thus, the burden fell largely on the Bank of Spain which by the end of 1979 had extended a total of Ptas 47bn in aid to ailing banks.

These deficiencies resulted in March 1980 in the enlargement of the scope of the deposit guarantee fund. This time, the private banks were obliged to contribute one per 1,000 of their deposits to the fund, finance which was matched equally by the Bank of Spain.

In 1980, the fund's total assistance from this source amounted to Ptas 13bn. In addition, the Bank of Spain was permitted to make unlimited advance payments of its contri-

proposition, however. With the exception of Banco de Asturias, bought by Banco March, the refoated banks have been acquired by either the big seven banks or foreign banks. The authorities are going to be seriously tested by Banco Occidental and its affiliate, Commercial Occidental, whose net losses could be Ptas 15bn.

The number of banks capable or willing to assume control of Occidental are very limited, and even the arm twisting of the past may be ineffective. For instance, in the case of Banco de Madrid and Cadesbank, the biggest single bank failures in terms of potential deposits at risk — over Ptas 100bn — the solution was facilitated by Banesto's eventual willingness through its own share involvement to assume responsibility.

Key question

This, in turn, raises the uncomfortable question of how the system can really cope with the failure of a medium-sized bank, resolving it in such a way so that the state does not become the permanent shareholder and manager. This has always been an underlying fear about the role of the fund and corporation — that a semi-state institution becomes a holding for a series of banks.

So far, the bulk of attention has been devoted to coping with failures — and the guiding principle has been to support rather than permit collapse and possible bankruptcy.

In this context, the case of Pirineos has aroused comment. Some feel this was a cynical move refusing it aid and forcing it into temporary receivership precisely because it was so small, the fate of large entities being protected by their very size.

The Bank of Spain is acutely conscious of the need for preventive medicine in the form of (a) improved inspection; (b) properly audited accounts and provision for risk; (c) improved legislation.

The Bank of Spain has done its best in the form of imposing more stringent accounting. But still the Bank of Spain's powers are insufficiently strong.

There are also areas of financial activity which affect banking, like trust funds, which come under the Ministry of Finance. This was highlighted by the recent case of the failed savings trust Adcaya, which completely escaped Bank of Spain control, yet which affected 250,000 depositors and Ptas 16bn worth of deposits.

This is not always an easy

BANKS AIDED BY DEPOSIT GUARANTEE FUND (Figures in Ptas bn)

Bank sold	Deposits	No. of staff	Offices	Purchaser
Catalan de Desarrollo	26.3	431	35	Banesto
Madrid	32.6	2,288	132	Banesto
Asturias	10.0	375	24	March
Cantabrico	8.0	235	19	Extarior
Credito Commercial	6.4	182	21	Vizcaya
Granada	27.7	725	47	Central
Industrial Mediterraneo	36.1	692	36	Catalana
Valladolid	21.8	634	36	Barclays
Lopez Quesada	16.5	729	47	BNP
Meridional	5.7	141	17	Vizcaya
Promobanc	11.3	275	17	Bilbao
Total	252.4	6,721	443	

BANKS STILL BEING AIDED

Occidental	66.8	1,652	116
Commercial Occidental	0.8	25	3
Descuento	16.5	336	26
Sub-total	84.1	2,008	145
Grand total	337.5	8,729	588

Spain is still experiencing one of the most serious banking crises in Europe. The problems have affected more than 20 of the nation's banks. Since 1978 the cost of the banking crisis has been in the order of \$600m.



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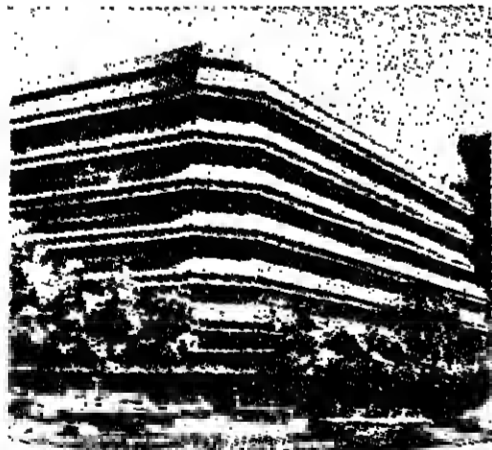
Financial Highlights (as at 31st December 1981)

	Million Ptas.
Total Assets	238,111
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Total Deposits	201,432
Capital & Reserves	14,032
Total Advances	95,808
Provision Funds	727
Net Profits	1,699

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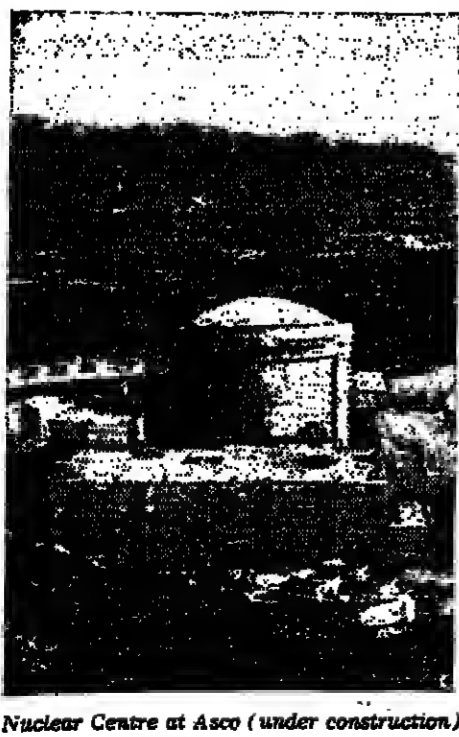
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SPANISH BANKING V

New ways of coping with the needs for medium-term finance

Floating rate peseta credits surmount the barriers

ONE OF the most spectacular growth areas in the Spanish economy during the last year has been the capital market and particularly the development of floating rate peseta credits.

This medium-term source of finance has mushroomed to such an extent since its inception in the summer of 1980 that it is now seriously rivaling the Euromarkets where Spain has traditionally been an active borrower.

According to the bank study, publicly announced, euro-currency bank credits to Spanish borrowers fell to \$3.2bn in 1981 from \$5.5bn in 1980, after growing steadily for three years.

Local bankers believe a large part of this drop reflects increased peseta borrowing and they point out that in 1981 publicly announced syndicated floating rate peseta credits totalled almost Pta 100bn equivalent to \$1bn, a figure that doubles if private deals are included.

The success of the Mibor loan, coined after its London equivalent because borrowers are charged a rate above Madrid interbank offered rate, has been largely one of timing and mutual interest.

Its appearance coincided with the peseta's sharp depreciation against the U.S. currency which made Eurodollar credits increasingly unattractive for Spanish borrowers. Since December 1980, when it stood at 79.25 to the U.S. dollar, the peseta has fallen to 97.45 at the end of last year and has recently hovered around the 104 level.

Persistent foreign exchange risk considerations are expected to encourage a number of Spanish borrowers to refinance some of their short-term Euro-dollar loans into peseta credits on the domestic market this year, while nearly all major public and private companies are planning to reduce their foreign currency borrowings.

The Mibor loan satisfied an urgent need for medium-term domestic finance. Until its appearance, the maximum maturity for commercial bank loans in Spain was three years and at a fixed rate of interest. The only other source of medium-term finance was through the so-called "privileged circuits" — official credit lines restricted to public companies or private concerns in priority sectors, such as energy.

Obstacle to lending

For the foreign banks who conceived the floating rate peseta credit, it was a way of honing their lending activities despite official restrictions on their operations, while for the Spanish banks, which initially resisted its introduction, the Mibor loan became an important means of putting increasingly expensive and idle deposits to work.

Finally, for the Bank of Spain, which has encouraged and supervised the development of the new market, it has been a means of directing greater resources to medium-term financing and broadening the country's capital market.

The Mibor loan introduced the concept of a floating rate credit in Spain for the first time and was a direct result of the foreign banks' total dependence on the interbank market for funds.

Because official restrictions on foreign bank branch expansion deprives them of a regular deposit base, they are obliged to seek funds on the short-term and potentially volatile interbank market which makes it too risky to lend medium-term at fixed rates.

The first syndicated Mibor loan passed almost unnoticed when it was signed in August, 1980, at the height of the holiday season, when Madrid becomes a ghost city.

It was a Pta 3.4bn credit for the private Catalan Electricity Company, Feosa, led and managed by an Hispano-Arabic consortium — Banco Araba Espanola. It carried a relatively short-term maturity of three years and a margin of 11.25 per cent over one-month interbank deposit rates.

Despite subsequent operations, the new formula remained a rarity and it was nearly a year before the market made a serious impact this time with a Pta 7bn, six-year credit for another electricity company, Sevillana.

The credit was lead managed by Chase Manhattan Bank and was the first time that a major Spanish bank, Banco Vizcaya, participated in a Mibor loan — in this case, as joint lead manager. It was the first operation for the Spanish bank's recently created "international branch" launched specifically to compete in Spain in the same footing as the foreign banks.

Until then, the major Spanish banks had resisted being drawn into the new market which they viewed with suspicion. The concept of a floating rate medium-term credit went against deep-rooted domestic banking practice which favoured short-term lending at fixed rates.



The new Pta 5,000 bill with the picture of King Juan Carlos. This is the first of a series of bills depicting the King. Left and right: Pta 100 World Cup '82 commemorative coins

MAJOR FLOATING RATE PESETA SYNDICATIONS

Table with two columns: 'Figures in Pta million' and 'Figures in Pta million'. Includes rows for Borrower, Date, Amount, Maturity (years), and specific bank names like Feosa, Canal Isabel II, etc.

Furthermore, many resented the foreign banks offering funds to companies often partly owned by the Spanish banks and considered by these to be their exclusive clients. But Chase Manhattan's Sevillana deal, because of its size and special characteristics, seemed to provide the stimulus that Spanish banks needed and just one month later, in June 1981, four of the country's leading banks, Vizcaya, Hispano Americano, Santander and Espanol de Credito, clubbed together to provide Sevillana with the first all-Spanish Mibor loan — a Pta 4bn floating rate credit under identical conditions to the earlier operation.

The market had clearly shown its potential and the Spanish banks now had to either participate or watch the foreign banks consolidate their position in an increasingly lucrative new banking field.

The watershed came in September, when the market received the administration's official blessing in the form of Pta 7bn credit for the official credit institute, ICA. Apparently, the deal also set new terms, establishing a seven-year maturity, a five-year grace period and a hitherto unheard of 7 per cent margin for the first five years, rising to the more usual 1 per cent level thereafter.

Significantly, the seven-bank lead management group was entirely Spanish, an indication of the domestic banks' increasing protagonism in the market and a role they would consolidate with further pace-setting credits including a Pta 9bn loan for basque power utility Ibeduero and a Pta 30bn package for the country's three integrated steel companies, guaranteed by the state holding company, IRI.

Steel package

The integrated steel package included an 80m Eurodollar credit and introduced a Pta 10bn element with interest charged at a margin over Spanish bank prime rate, a precedent with serious consequences for the foreign banks.

The new formula combining Mibor and Spanish prime rate as benchmarks for pricing large-scale loans was repeated in February this year with a Pta 21bn package for the top Spanish power company, Hidroelectricas Espanola, split into tranches of Pta 12bn and Pta 9bn respectively and lead managed by Spanish banks.

It is currently being employed in a Pta 40bn jumbo loan under syndication by the top ten Spanish financial institutions for IRI and carrying two equal portions.

The prime rate formula effectively represents a return to the traditional system of fixed rate lending and is seen by foreign bankers as a major threat because it bars them from participating in any credit or portion of a credit using this pricing mechanism.

Another source of serious concern to the foreign banks has been the increasingly fine pricing on syndicated peseta credits. Just as volumes have dramatically risen and maturities lengthened, so have margins fallen, reflecting to a large extent the

extreme liquidity of the increasingly active Spanish banks. The fall in spreads, from an average one per cent at the end of last year to the half a per cent currently sought by the state railways, Renfe, on a Pta 5bn credit, is threatening the lending activities of foreign banks by further eroding their already thin profit margins.

GROWING IN SPAIN

The Banking Division of Rumasa comprising 18 banks in Spain with a total of more than 1,000 branches, aggregates resources in excess of 6,000 million dollars and some 10,000 employees, which is clear

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evidence of the expansion and potential of the Group. Today the Group's growth and development not only in Spain, but throughout the world, is a confirmed fact.

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GROWING IN THE WORLD

BANCO DE SANTANDER The largest Spanish international banking network

Table with 2 columns: '1981 Highlights' (Capital & Reserves, Deposits, Loans & Discounts, etc.) and 'Net Dividend per Share (ptas.)'.

Profit after taxes 92,06 \$ million - Shareholders 366,583

BANCO DE SANTANDER GROUP 1.251 Offices in 23 countries

- 5 BRANCHES: Frankfurt, London, New York, Paris, Sao Paulo (to be opened). 11 REPRESENTATIVE OFFICES IN AMERICA: Bogotá, Buenos Aires, Caracas, Guatemala City, Lima, Mexico City, Quito (to be opened), San Juan de Puerto Rico, Santiago de Chile, Santo Domingo, Sao Paulo. 11 BANKS IN AMERICA: Banco de Santander - Argentina, Banco de Santander - Costa Rica, Banco Español - Chile, Banco de Santander - International (Miami), Banco de Santander y Panamá (with Branch in El Salvador), Banco de Santander - Puerto Rico, Banco de Santander Dominicano, Banco Inmobiliario de Guatemala, Banco Sociedad General de Crédito (Ecuador), Ca a Bancaria Santander - Uruguay, Banco de Santander Trust and Banking Corporation (Bahamas) Ltd.

Established 1857 in Spain

SPANISH BANKING VI

William Hall examines the moves being made by Spanish banks to open more overseas offices

New inroads into the international banking community

SPANISH BANKS have always ranked amongst the smaller members of the international banking community.

Banco de Bilbao has the oldest international pedigree. It prides itself on the fact that it established its first branch in Paris just after J. P. Morgan and before it opened in Madrid and elsewhere in Spain.

The bulk of Spain's international banking business was handled by Banco Exterior de Espana (Extebank), the semi-state owned bank which finances a large part of the country's exports.

The main exception are Banco Espanol de Credito (Banesto) and Banco Popular, both of which have resisted the trend to move heavily into international banking.

Banco de Vizcaya's vice-chairman brought in six years ago to develop the bank's overseas operations, says that the international side of the bank's business is not a great money maker but it has made the bank's name much better known internationally.

Its first acquisition was an Argentinian bank with 13 offices, followed by a Panamanian bank. It now has branch networks in Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Puerto Rico, Dominica and Uruguay.

Whilst Santander's Latin American expansion has caught the eye, other Spanish banks, such as Banco Central and Banco Exterior, have also been pushing heavily into Latin America.

The one area where Spanish banks are not well represented is in the Far East. Some have established representative offices and Banco Urquijo has set up a Singapore operation but for the most part Spanish banks are not particularly active.

The Caja de Ahorros y Monte de Piedad de Madrid, CAJAMADRID, after very satisfactory results, maintains ninth position in the ranking of Spanish financial companies on volume of deposits.

RESULTS FOR THE PERIOD
Total assets 456.2 thousand million pesetas
Deposits 387.8
Loans 199.6
Shares 114.5
Profit before tax 5.56
To reserves 3.87
To social fund 1.29
Clients (thousands) 2,795
Offices 432
Employees 3,955

Even the Spanish savings banks are beginning to look overseas and the relatively unknown names of the "Cajas de Ahorros," as they are known, are beginning to appear in Euroramarket tombstones.

Variations
The importance of international business varies from bank to bank. In the case of Banco de Bilbao, around a quarter of its balance sheet is in foreign currency and close to a third of its profits come from overseas.

For others, such as Banesto and Banco Popular, the proportions are less, reflecting the lower priority they give to international operations.

Sr Federico Lipperbeide.

Profitability

However, the overseas expansion of Spanish banks has not yet spawned a similar major move overseas by Spanish companies, and Vizcaya, along with some other Spanish banks, is conscious that without a sizeable source of natural Spanish business, it can be hard to earn decent profits internationally.

It is possible to divide the overseas expansion of Spain's banks into four areas. Over half of Spain's foreign trade is with Europe and this is a traditional area for Spanish banks.

THE INITIAL euphoria associated with the opening of the Spanish banking market to foreign banks has evaporated but it is clear that Madrid's foreign banking community is flourishing.

Close to 30 foreign banks have opened full banking operations in Spain and more plans are in the pipeline. Over the past three years their balance sheets have risen rapidly and it is reckoned that 13 pesetas out of every 100 pesetas of loans are now made by foreign banks.

Sr Emilio de Ybarra y Churrua, managing director of Banco de Bilbao, said last autumn that after two and a half years, the 27 foreign banks with 72 offices and 2,300 staff had built a loan portfolio two-thirds of the size of Spain's 50 local banks, with 1,370 offices, and 19,740 staff.

Sr Jaime Carvajal y Urquijo, the Cambridge graduate now running Banco Urquijo, the country's most prestigious merchant banking group, says that the arrival of the foreign banks "is good for the market, good for the economy and, in the long run, good for the Spanish banking system."

Spanish banks face much more competition in their wholesale business from the foreign banks but on the other hand the local money market has been strengthened considerably and the introduction of a bankers acceptance market and floating rate peseta loans have been embraced by the Spanish banks.

Competition
Most foreign bankers agree that the initial profitability of the Spanish market (several drew parallels with Italy, 10-15 years ago) cannot be sustained as competition reduces margins.

Aside from the four foreign banks that have been in Spain for several decades—Bolsa, Societe Generale, Credit Lyonnais and Banca Nazionale del Lavoro—the recent arrivals all face the same restrictions. They are not permitted to open more than three branches, deposits in pesetas from customers cannot

exceed 40 per cent of their assets, guarantees cannot exceed three times net worth and they cannot invest in equities.

The restrictions are not regarded as particularly onerous, but they do mean that the foreign banks have to concentrate very much on wholesale banking. Branches in Madrid and Barcelona are sufficient to service the business community but they are not sufficient to enable foreign banks to move into

both banks retain sizeable minority shareholders which can present problems. It is too early yet to determine whether Barclays and BNP have made the right move in acquiring local banks.

IT IS TOO EARLY yet to determine whether Barclays and BNP have made the right move in acquiring local banks. There are several more banks in the bank hospital and acquisition by foreign banks is one of the few ways such banks can win a discharge.

TOP 10 FOREIGN BANKS (Figures in Pta bn for end-1981)
Credit Lyonnais 43.1 47.1 90.2
Societe Generale 38.2 16.0 54.2
Manufacturers Hanover 31.9 12.5 44.4
Bank of America 24.6 18.5 43.1
BOLSA 18.1 24.9 43.0
BNP 22.9 19.5 42.3
Dresdner Bank 19.6 21.2 40.8
Citibank 17.7 15.2 32.9
Paribas 12.8 13.8 26.6
Morgan Guaranty 15.5 10.5 26.0

retail banking and build a natural deposit base. Foreign banks have to raise the bulk of their pesetas in the local money markets and the lack of a natural deposit base worries some who are aware that in the past interbank rates have fluctuated widely.

Two banks, Barclays Bank and Banque Nationale de Paris, have taken the plunge and acquired local banks—Banco de Valladolid and Banca Lopez Quesada—from the Corporacion Bancaria, known locally as the bank "lifeboat."

By taking over ailing banks, both Barclays and BNP have won access to a local deposit and customer base and with between 40 and 50 branches apiece, both have the makings of a national branch network.

In addition, some bankers question whether 40 or 50 branches are sufficient to achieve the economies of scale in retail banking. Finally,

the economic and political problems of some countries in the region do not seem to have dented most Spanish banks' enthusiasm for expansion.

However, one or two banks are more cautious and Banco Popular, which is establishing an identity for itself primarily as a domestic retail bank, argues that it is best to play safe in these uncertain times and concentrate on the market it knows best—Spain.

Given the size of the Spanish economy, it is perhaps surprising that it has not yet spawned a major Spanish bank to rival internationally institutions such as Germany's Deutsche Bank, France's Banque Nationale de Paris or Britain's Barclays Bank, all of which are more than four times the size of Banco Espanol de Credito—Spain's biggest bank.

THE OTHER complaint is the ceilings on short-term interest rates, which foreign banks argue favours local banks with captive deposit bases.

Speculation
The other main complaint of the foreign banks in Spain is the 1 per cent turnover tax (ITE) on borrowings in the peseta interbank market. This makes it virtually impossible to do arbitraging business and severely restricts the dealing flexibility of the foreign banks which are primarily wholesale operators. This means, foreign banks can only be takers of funds and cannot play both sides of the fence.

Despite the restrictions and the growing competition from the Spanish banks, for Spanish corporate business, most foreign bankers are still earning good money in Spain. One banker estimated that they were almost all earning over 20 per cent on their capital.

As far as foreign banks are concerned, there are unlikely to be any major changes in the ground rules until after the next election.

One American banker, who is not concerned about the Urbis

As far as foreign banks are concerned, there are unlikely to be any major changes in the ground rules until after the next election.

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SPANISH BANKING VII

Most stockbrokers are now more optimistic

AFTER NEARLY six years in the doldrums, Spanish stockmarkets experienced a major turnaround in 1981. Most stockbrokers are now optimistic that the worst is behind them, even though the prospects for 1982 are clouded with uncertainties.

When the Madrid Bourse index finished 1980 with a positive growth of 6.11 per cent for the first time since 1974 most analysts hardly dared believe the trend could be sustained. Yet investors had apparently recovered their nerve and, lured by the prospects of underpriced shares, began to return in strength.

The market opened strongly and kept on rising up to an index peak of 146.13 in early September, (every year opens with a base of 100), supported by a wave of innovation and during the usually quiet summer months. But the rise was checked and the index slid back to finish at 124.08 as profits and political uncertainties prompted a steady stream of sellers.

Despite the regression in the final quarter, 1981 was a key year for Spanish stock markets in which they not only achieved a return to profitability but also presented serious competition to other forms of investment. It was a year of innovation and one in which trading patterns registered an important change.

Big increase

Total trading volume on the four bourses rose dramatically to Pts 234.4bn, cash business, from Pts 135.6bn in 1980 when volume dropped 8.15 per cent. The Madrid Bourse accounted for the lion's share of this total with 68 per cent, followed by Barcelona with almost 18 per cent, Bilbao with nine per cent and the small Valencia Exchange, in its first full year of operation, captured nearly five per cent of the market.

The average return on Madrid bourse investments last year has been calculated at around 30 per cent, based on dividend payments and straight share price appreciation. The figure is even higher if one includes the tax benefits enjoyed on most dividends and subscription rights.

Compared with an official 1981 inflation rate of 14.4 per cent, Spanish stock markets offered a highly competitive return to investors. Nevertheless, such global statistics are slightly misleading given the major influence of the banking

and electrical sectors on the market as a whole when calculating price movements, trading volumes and benefits.

The commercial banks alone accounted for nearly half the total cash business volume on the Madrid Bourse last year, with Pta 57.1bn in trade, while the water, gas and electricity sector absorbed just over 18 per cent with Pta 21.3bn. Together, they captured 66 per cent of the cash trade.

As a further example, banks and electricals accounted for 13 and 14 places, respectively, on two lists of the 15 most frequently and heavily traded stocks on the Madrid market.

The only other stock as consistently popular was the telephone monopoly, Telefonica, the single most influential share in the market, with a weighting of nearly 10 per cent in the Madrid Bourse index compared with almost 39 per cent for the commercial bank sector, 6 per cent for the industrial banks and 21 per cent for the electricity companies.

A major factor behind the pre-eminence of the banking sector on Spanish stock markets lies in the nature of its independent settlements system. Other stocks are traded on an open outcry basis with prices rising or falling during the session according to supply and demand, but sales and purchases of bank shares are settled in one go, just before the end of each trading session.

Buyer and seller bids are paired off and the banks themselves then decide whether to satisfy all, part or none of the outstanding orders. Their share price movements depend on how many shares they are willing to buy or sell and remain unchanged if they satisfy half the outstanding demand.

This discretionary control over their own share price movements gives banks a unique position of influence particularly in view of their weighting as a major component of bourse indices.

The banking sector's presence is further reinforced by the fact that they are the single most important source of business to stockbrokers, channeling bourse investments for clients either through their own bourse departments or through subsidiary companies specifically designed to cope with portfolio investment.

Yet despite the influence of banks and electrical companies

over the overall performance of Spanish stock markets, the significant feature of 1981 was the emergence of hitherto less favoured sectors as solid performers after years of neglect by wary investors who had tended to play safe and stick to the blue chips. The protagonism of second line shares is highlighted by a study of the most profitable investments on Spanish exchanges last year which contains not a single bank or utility among its top ten companies.

Furthermore, a list of the most profitable sectors showed the cement, construction, chemical and metal and mining lists leading banks and electricals in terms of combined price appreciation, and dividend growth.

The most impressive individual performer was the metal and mining industry's Duro Felguera which registered a 212 per cent rise in profitability, followed by the steel company, Tubacex, with a 195 per cent rise.

Profitability

Other lucrative investments included Cementos Alba and Constructor Dragados y Construcciones, up nearly 105 per cent and 65 per cent respectively. According to the study, based on 178 leading stocks, the average profitability of shares quoted on all four Spanish exchanges rose to nearly 34 per cent in 1981 from just 9 per cent the previous year.

By contrast, share trading could be adversely affected by a recent official clarification which will prevent investors from claiming tax relief on the full par value of bonus or rights issues. Spanish companies have increasingly flooded the market with such issues towards the end of each calendar year to capitalise on the allure of the tax benefits, but now investors will only be able to recoup on the cash value of their purchases.

In an attempt to boost share trading volume, Spanish stock markets last year introduced a deferred settlement scheme allowing purchasers to defer payment of up to 75 per cent of the cost of a transaction for a maximum of three months.

The scheme was launched in Madrid last June and has been extended from an initial 15 listed stocks to 22, ending a

40-year ban on term buying or selling of shares.

Trading volume during the first six months has nonetheless been modest, reaching less than pts 2bn on the main Madrid market.

On the other hand, bourse trading in acceptances registered spectacular growth last year with a four-fold increase in business to almost Pts 60bn nominal value. This market was launched in January, 1980, by three foreign banks and one Spanish bank and aims to attract the big investor with minimum commitments currently averaging Pts 250,000 and more frequently reaching Pts 1m.

Spanish banks have rapidly gained ground in this field after a late start and last year captured 57 per cent of the market ahead of foreign banks with 35 per cent. The remaining 8 per cent was traded on the growing secondary market.

Foreign investment in shares also took off, tripling during the year to Pts 5.7bn on the Madrid Bourse alone, with cash purchases of Pts 8.6bn far outstripping sales worth Pts 3.8bn.

Increased foreign interest was particularly noticeable during the heady summer months when share prices went from strength to strength and played an important role sustaining the bull market. But interest was quick to dissipate once the market turned in the autumn and the outlook so far this year is bleak with foreign investment down by more than 50 per cent during the first two months.

Stockbrokers are hoping that a planned reform of the country's social security system and the introduction of pension funds will give stock markets a fillip by channelling more savings their way.

Tripartite talks between the Government, unions and employers on the reform are bogged down, however, and investment fund managers have said a draft law governing pension funds, and investment trusts will make it impossible for pension funds to operate and put most existing trusts out of business, largely because of the negative tax concessions included in the draft bill.

By a Special Correspondent

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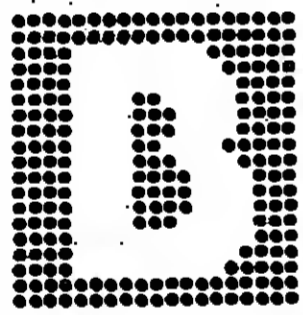
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BNP Branch and Subsidiaries at Calle Serrano, 67.

- Banca Lopez Quesada Subsidiary
- Plaza de las Cortes 6
47 branches in Spain

Barcelona

- Banque Nationale de Paris Branch
- Consejo España S.A. Subsidiary
- Europea de Financiación, Inversión y Promoción S.A. "EUROFIP" Subsidiary

BNP Branch and Subsidiaries at Calle Entenza, 321, Esq. Diagonal

Bilbao

Consejo España S.A. Subsidiary
Ledesma 10 bis
Planta 4 depto 4.



Banque Nationale de Paris

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SPANISH BANKING VIII

Spain has one of the fastest-growing plastic card markets in the world. William Hall details the success story.

Credit cards start a quiet revolution

SPANISH BANKERS remark that it is not uncommon for their customers to buy a new car with used bank notes drawn from a local bank branch. Few pay by cheque, but a rapidly growing number are paying by credit card, making Spain one of the fastest growing markets in the world for the use of the plastic card.

Spain might lag behind other European countries in some areas of retail banking but in the development of the plastic card and the associated technology it is proving to be one of the test-beds for developments which could soon become standard practice around the rest of Europe.

Banco de Bilbao's Sr Enrique Mas, a past president of the European Financial Marketing Association (EFMA) and one of the pioneers of the credit card in Spain, says that the card was introduced to Spain primarily as a marketing tool.

His bank was conscious that while it had individual relationships with industry, the retailers and their customers, it was not involved as deeply as it wished in the payment transactions between the various sectors. In particular the widespread use of cash meant that it had little direct involvement in payments between retailers and customers.

The introduction of the card was intended to remedy this weakness by offering a convenient payment instrument and at the same time attracting customers from other banks. Mas says that 60 per cent of the merchants Banco de Bilbao signed up were customers of other banks, making the card a "useful instrument of commercial penetration."

Banco de Bilbao was the first Spanish bank to start marketing a mass credit card. It linked

up with BankAmericard which evolved into the Visa programme and for several years was the only bank in the market. With the result that it now accounts for over half Visa's card base and volume in Spain.

The early success of Banco de Bilbao, the country's fourth largest bank, was soon noted by its larger competitors, which decided to set up a rival organisation, known as 4B. In 1974, Spain's big three banks—Banco, Banco Central and Banco Hispano Americano—plus the slightly smaller Banco de Santander joined together to counter Banco de Bilbao's moves by establishing a cheque guarantee card.

Strategy reviewed

Most bankers, however, say this move was not a great success and the banks involved in 4B are now reviewing their strategy. System 4B has joined Visa and is developing the 4B card into a cash card which can be used in the automated cash dispensers being installed by the 4B member banks.

As far as the mass credit card market goes, Visa Espana has firmly established itself as the market leader and Sr Eduardo Merigo, Visa Espana's president, sees the group moving increasingly into the market served by the American Express card. In terms of volume the latter does about a quarter of Visa's business.

Most of Spain's private banks and several of the savings banks are now members of Visa, which has a Spanish cardholder base of around 3m, an annual sales volume of 60bn pesetas a year and a growth rate of over 40 per cent per annum. Sr Merigo, who is typical of the new breed of marketing men coming to

THE SPANISH CREDIT CARD MARKET—1980

	Cards ('000)	Billings (Pta bn)	Turnover per card ('000 Ptas)
Visa	2,300	28	12.2
Mastercard	250	3	13.0
Eurocard	100	4	16.0
Amex	40	7	175.0
Diners	85	8	200.0
Big stores	2,500	32	12.8
Total	5,255	82	15.6

El Corte Ingles, Galerias Preciados y Sears.

Source: Market estimates.

One of the main problems has been the proliferation of authorisation centres as the numbers of Visa banks grew in Spain. "With over 30 banks it was a mess," says Merigo.

Last November, however, Visa Espana introduced a common authorisation system and with the introduction of a system of centralised fraud control two months ago, fraud has been falling "spectacularly." By World Cup time Visa Espana will have a fully computerised authorisation system which will be able to handle foreign cards with no problems.

New equipment

The investment in computerised systems is also helping Visa Espana compete with its main rival in the Spanish market—American Express. Its new equipment gives it the opportunity to build in up to 1m "exceptions" in its systems, which means that up to 1m customers could have much higher card limits than traditional Visa card holders. "If we handle it well we can have the advantage of mass volume with a very personalised service which can take us into the premium card business," says Merigo. He contrasts Viss Espana's 1m "exceptions" with American Express's cardholder base of around 60,000 in Spain.

Visa is also intent, however, on moving into the premium card market with a separate pro-

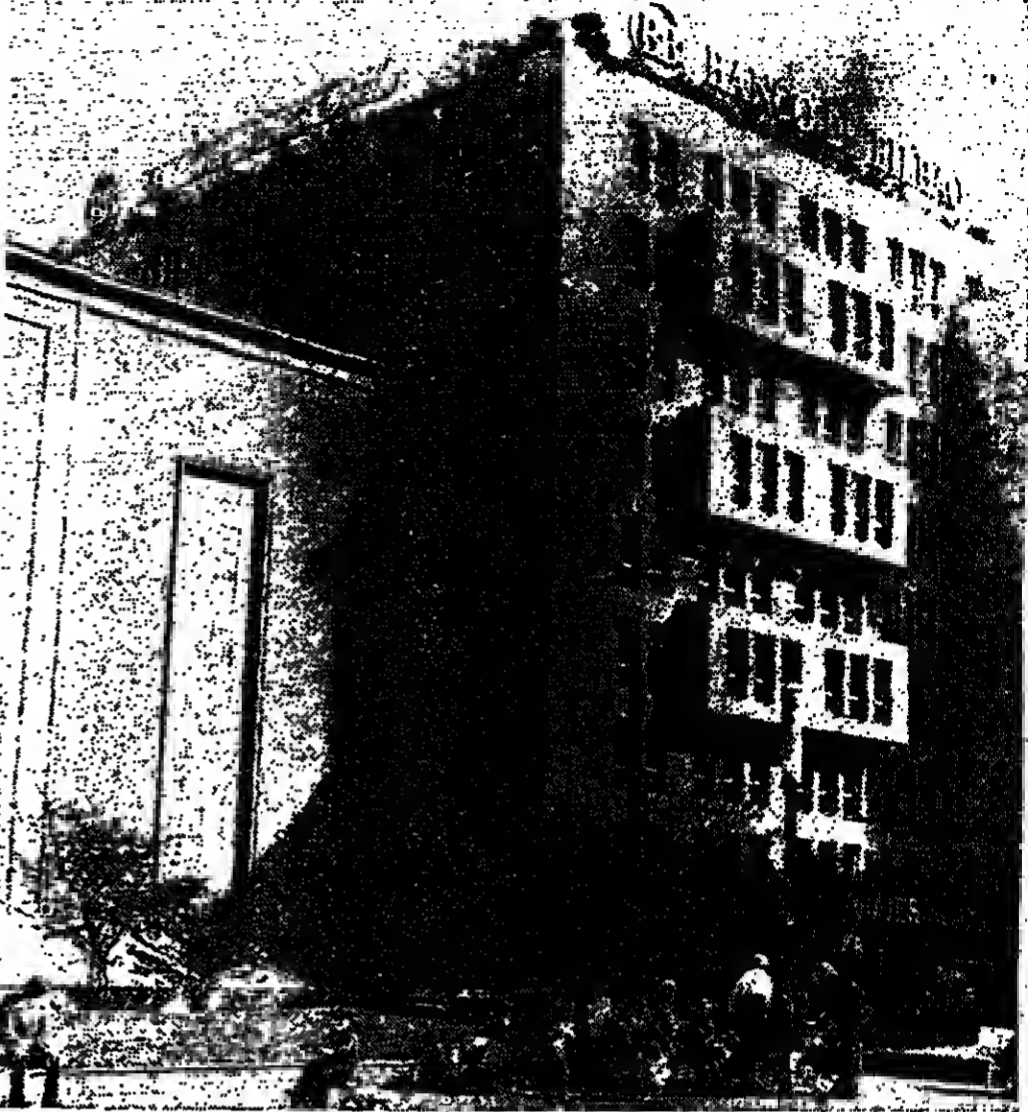
duct and Merigo predicts that by the autumn two or three Spanish banks could be marketing a Visa premium card. As Merigo sees it he will have 1m Visa cards with exceptional limits to compete with America's conventional green card and another 50,000 premium cards to compete with the gold cards now being introduced in other countries.

The other development being watched closely by other European bankers is the pilot project in Spain whereby Swedish Visa cardholders will be able to use their cards in Spanish ATMs. Spain is moving rapidly in this area and Banco de Bilbao's Enrique Mae says that UK Barclaycard users should be able to use their cards in Banco de Bilbao's machines within a year.

American Express is a relatively recent entrant to the Spanish market as a card issuer, although its card has been accepted in over 20,000 outlets for many years. It has followed the slightly unusual route for Europe of linking with Banco Urquijo to set up a 50-50 joint venture American Express de Espana SA.

Although Banco Urquijo, probably Spain's most prestigious merchant bank, is Amex's partner, other Spanish banks are being encouraged to market the Amex card.

Hector CueBar, the Colombian now running the American Express card programme in



Banco de Bilbao (above) was the first Spanish bank to market a mass credit card. Its early success with the Visa programme was soon noted by larger competitors which set up a rival "4B" system.

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- Miami Agency:** One Biscayne Tower, 38th Floor, 2 South Biscayne Boulevard, Miami, Florida 33131. Tel: 305-789-9892. Telex: 941540
- Nassau Branch:** C.O. Roysen Bankers Corp. Ltd., P.O. Box 4889 - BAHAMAS
- London Branch:** 28-40 Abchurch Lane, London EC 4N 3DF. Tel: 1-023-6121. Telex: 8934612
- Paris Branch:** 15, Avenue Matignon, 75008 - Paris. Tel: 41 39 55 09. Telex: 04 14 29-5
- Amsterdam Branch:** Hemsteedijk 479, 1018 CA Amsterdam. Tel: (020) 26 30 33. Telex: 13882 - 1628
- Bahrain O.E.U.:** Kamon Tower (Phase III) 4th floor - Tugayeh Rd. Manama - State of Bahrain. Tel: 25 32 64 - 25 33 40. Telex: 9000 Banca

REPRESENTATIVE OFFICES:

- Argentina:** Avda. Corrientes, 311 Ofcina 80. Buenos Aires 1043. Tel: (54) 361 20 65; 361 21 15. Telex: 17739
- Brazil:** Rua do Carmo, 11 Andar, 19 Rua de Janeiro-RJ. Tel: (552) Area Code 2427076-2428000. Telex: 213298
- Chile:** Paseo de Abunada, 254-37 Ofcina 31, Santiago de Chile. Tel: (562) Area Code 72664. Telex: 40329 Barta
- Mexico:** Avda. Juarez, 4 Mexico, 1 D.F. Tel: (52) 585 00 30. Telex: 1777400
- Venezuela:** Avda. Francisco Miranda - Estadio Torre Europa Ofcina 7 y 8 - Caracas. Tel: (582) 34 43 33 - 33 25 06. Telex: 23337
- Germany:** Friedemannstr. 11 6000 Frankfurt/Main, 1. Tel: (49) 23 32 91. Telex: 41215
- Japan:** Yurakucho Denki Bldg, 652 7-1, 1 Chome - Yurakucho Chiyoda, Tokyo 100. Tel: (81) 327-0791. Telex: J 29472
- Hong-Kong:** 2114 Connaught Center, Central Hong Kong. Tel: 5-21 63 49. Telex: 62898
- Italy:** Via Alfonso Abricci, 9 12 Interno D Scala A Milan 20122. Tel: 873 52 - 867 661

Banco de Vizcaya
 Gran Via, 1 - Bilbao - Spain. Tel: (94) 4164400 Telex: 32040

The sleeping giants of the financial system make their international mark. Savings banks flex their muscles

SPAIN'S 80 or more savings banks - which together have more than 3,000 branches, employ over 30,000 staff, and account for nearly a third of the banking sector's deposits - are the sleeping giants of the Spanish financial system.

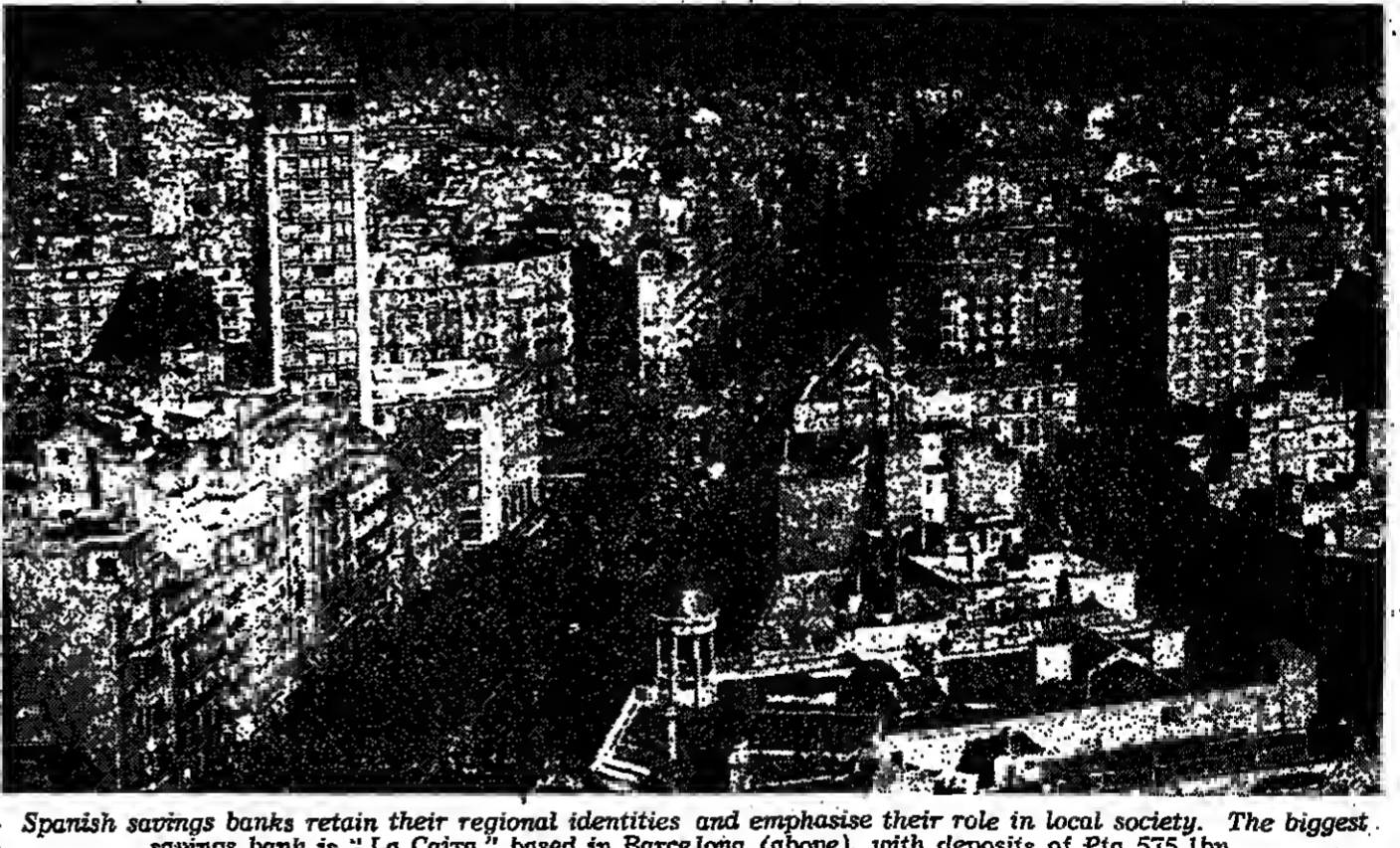
In common with other savings banks around Europe, Spain's Cajas de Ahorros grew up for social reasons and were originally closely identified with churches and local authorities. Church leaders would often support the establishment of a savings bank to combat the usurers, who were exploiting the poor.

Even now, Spanish savings banks still retain their regional identities and emphasise their role in improving the fabric of local society. A substantial amount of their profits, for example, have to be ploughed back into various social and welfare programmes.

Spain's biggest savings bank, the Barcelona-based "La Caixa", for example, spent around Ptas 3bn (close to \$30m) last year on projects in the following areas: improving culture, the young, the disabled, the elderly, health and agriculture. Typically, a Cajas de Ahorros will sponsor a hospital for disabled people or a school for sub-normal children.

For many years the savings banks maintained a bigger branch network in Spain than the private banks which were restricted from competing. Six years ago, for example, the private banks only had 5,500 branches against the 6,100 of the savings banks.

However, as Spain's financial system has been liberalised the private banks have expanded rapidly and the savings banks have been left behind. Today, they have 8,700 branches around the country, whereas the private banks have more than doubled their branch networks to over 13,000 during the past six years.



Spanish savings banks retain their regional identities and emphasise their role in local society. The biggest savings bank is "La Caixa", based in Barcelona (above), with deposits of Pta 575.1bn.

Regulated

At the same time, their business has been highly regulated by the authorities which required them to invest substantial amounts of their resources in public sector securities. In common with other countries, the Spanish authorities for long regarded the savings banks as a cheap source of official finance.

Until 1977, savings banks were obliged to keep 43 per cent of their deposits invested in public funds or specified securities and 24 per cent in specified credits at privileged rates of interest for certain projects such as the construction of subsidised housing.

In 1977, the Government changed the rules, however, and began to relax the restrictions on the savings banks in order to put them on the same footing as the private banks. This enabled the savings banks to increase the proportion of their funds they channel into personal loans and commercial lending.

Despite the changes in the

rules, the savings banks continued to lose ground to the commercial banks, between 1978 and 1980 and it was not until last year that they began to recover some of the market share which they had lost to the private banks.

One area where Spain's savings banks have begun to make their mark is in their international operations. A cursory glance at the euro-market timetables reveals the names of a growing number of relatively unknown Spanish savings banks and the larger ones have been building up their networks of overseas banking correspondents. Several have established foreign exchange dealing rooms in Madrid.

To date, the Spanish savings banks have been slow to move overseas and their activities are mainly channelled through the Confederacion Espanola de Cajas de Ahorros which maintains about half a dozen over-

seas representative offices in Europe and a few more in places like Mexico and Venezuela which have cultural ties with Spain.

In line with their social remit, the Spanish savings banks are commended to "endeavour to provide Spanish emigrants with economical and social assistance and to attempt that their savings be remitted to their motherland so that these savings benefit the Spanish economy."

While many of the Confederacion's overseas offices still deal with the savings of migrant Spanish workers, some such as London, are becoming more actively involved in handling commercial transactions like documentary letters of credit.

As a result, investigations are under way to see whether it would be feasible to establish a full-branch banking operation for the savings banks in London.

So far, individual savings banks have not been allowed to set up operations overseas and they are encouraged to push their overseas business through the Confederacion—the umbrella for the savings banks.

If the neighbouring savings banks in the Barcelona region were to merge with "La Caixa", the resultant group would probably rank as the biggest bank in Spain and would be a formidable rival to the private commercial banks.

As it is, the savings banks have a strong presence in the retail banking market and are making major improvements in their back-office systems so that they can take advantage of the developments in electronic funds transfer now on the drawing board. The bulk of their lending in the personal sector is still for house purchase but

they are rapidly expanding their personal lending and credit card operations, for example.

The big savings banks are starting to flex their muscles and can no longer be ignored by the private banks who long regarded them as a useful adjunct to the banking system but not as real competitors.

Already, one or two savings banks have taken minority stakes in commercial banks and this trend is likely to continue as they build their commercial business.

William Hall

ENHER thanks the banking community for its permanent assistance.

TOP 10 SAVINGS BANKS
 Figures in Ptas. bn for November, 1981

	Deposits	Annual Growth
La Caixa	575.1	11.0
Caja Madrid	358.3	17.6
Caja Postal	288.9	15.7
Caja Barcelona	239.3	16.4
Caja Zaragoza	192.2	13.7
Caja Valencia	182.9	19.1
Caja Cataluna	160.0	20.0
Caja Bilbao	132.4	23.4
Caja Alicante	131.8	17.3
Caja Galicia	120.6	17.0

BANCO POPULAR ESPAÑOL

UNCONSOLIDATED FIGURES

December 31st

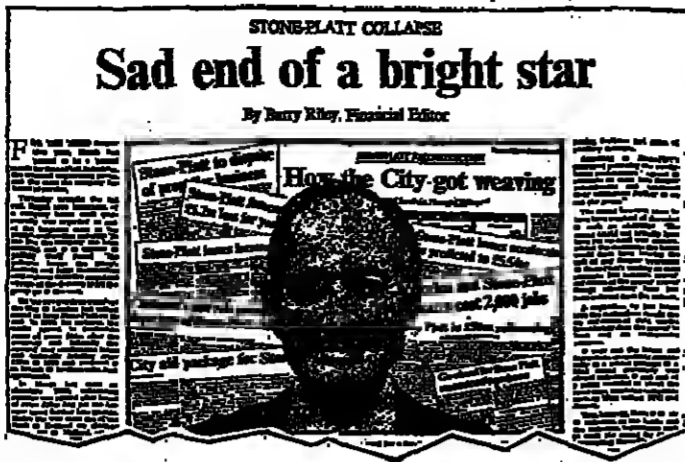
(In million pesetas)

	1981	1980	Variation
NET EARNINGS	5,301	4,146	27.9
TOTAL EQUITY	36,808	33,228	11.1
DEPOSITS	437,119	367,778	18.9
TOTAL LOANS AND DISCOUNTS	341,030	292,418	16.6

Letters to the Editor

Feelings of sadness and injustice at the receivership system

From the Chairman Stone-Platt Industries Sir—There has been a great deal of Press coverage of the Stone-Platt receivership...



Mr Pincoet pictured in the FT on March 19

forward clear and constructive proposals by which the balance sheet ratios between shareholders' funds and debt could have been restored by the end of 1982...

the way it has. There must be a better way. Whereas the banks have every right to protect the security of their loans...

I believe there are real doubts about Receivership in its present form, and I hope these will be reinforced by the report to be submitted shortly...

The Oil and Gas Bill in committee

'There must be a better way'

By Peter Riddell, Political Editor

ONE DEBATE on one amendment took nearly six hours, and the discussion ranged from Tudor history...



under the rules of the radio parlour game 'Just a Minute' where there can be no repetition...

Commons in the late 1970s considered possible reforms, some of which have been adopted...

(b) Outside witnesses. The Procedure Committee heard conflicting views. Traditionalists such as Mr Michael Foot argued that outside witnesses should be considered before a Bill was published...

The Procedure Committee proposed a compromise whereby standing committees could hold three evidence-taking sessions at the start to establish the factual and technical background...

Reformers, such as Mr Cunningham, argue that this procedure should be used with more controversial Bills and that more evidence-taking sessions should be allowed within a time limit...

The Budget: methods for the fair indexing of capital gains

From Mr D. Baer Sir—Mr L. Hunt (March 16) refers to the Chancellor's inability to find a practical method of indexing gains from 1985 and suggests as a simple compromise that investors could elect to pay at a reduced rate of 15 per cent...

I fear however, he has missed the vital point that assets bought before April 1982 still pay capital gains tax on a very substantial part of the inflationary 'profit' after that date...

from that calculated under the Chancellor's proposals. J. E. Critchley, Association of Independent Businesses, Trochroy House, 108, Weston Street, SE1.

From Mr A. Keay Sir—As many of your readers have pointed out, the Chancellor's proposals to try to rectify the existing injustice of capital gains tax only go part of the way...

Perhaps an amendment on these lines could be introduced into the Finance Act. A. D. J. Keay, 53 Cadogan Street, SW3.

of 'unreal' gains on assets acquired between 1965 and 1982. The particular danger is that the Chancellor or his successors may regard the indexing problem as solved or of declining significance...

Bed and breakfasting of shares may give some relief (Mr A. Sutherland, March 16) but there is no assurance, especially since the Ramsay case...

The problem must be dealt with now and Members of Parliament must encourage the Chancellor to react logically and honourably to his own analysis. S. Dow, 38 Dalziel Drive, Pollokshields, Glasgow.

From Mr J. Critchley Sir—Mr Sutherland's advice (March 16) to "bed and breakfast" shares in order to obtain the benefit of future indexing is correct only so far as it goes in relation to Stock Exchange company shares...

If an asset bought pre-1982 is to be exempt from inflationary gains after April 1982, then surely the indexing should be on the selling price and not the cost price?

From Mr S. Dow Sir—Correspondence following my letter of March 11 has shown widespread concern at the Chancellor's intention not to remedy the injustice that he rightly perceived in the taxation

The argument about lead-free air

From Dr E. Jones Sir—I have no reason to doubt the sincerity of Mr Stokes' letter (March 15) but its contents are so full of errors that he has been seriously misinformed on virtually every aspect of the lead-in-petrol issue...

United States Environmental Protection Agency, has stated: "I have sometimes been asked if in the USA we took lead out of gasoline for health reasons, or if we did it to make it possible to use catalysts to control exhaust emissions..."

Mr Stokes' second statement is that there is no new evidence linking children's intelligence with lead levels. Since the DHSS working party published its report "Lead and health" in 1980, four major papers have appeared in the scientific literature which have a direct bearing on the debate:

inter alia, they have shown lead levels can be predicted on the basis of EEG (electroencephalographic) recordings in normal children; effects on brain-wave potentials down to blood lead levels of seven micrograms/decilitre in pre-school children...

His third statement that "experts have not found a shred of evidence to prove that lead in petrol is poisoning children's brains" betrays a similar ignorance of the scientific literature. From 1970-1976 the U.S. Government monitored the lead levels of 178,000 New York school children...

amount of leaded gasoline sold in the New York area during that same period. It is certainly true, as Dr Baitrop says, that removing lead in petrol would not abolish the incidence of symptomatic lead poisoning...

It is difficult to identify any common ground between the aspirations of the Campaign for Lead-free Air and the interests of employees of Associated Octel but I will leave it to readers to decide who is presenting the scientific evidence. Dr Robin Russell Jones (Member of CLEAR Scientific and Medical Advisory Board), 2 Northdown Street, NI.

The 'battle' of the Mersey Marshes

From Canon R. Howard Sir—Your contribution in Hamilton Fazey (March 12) gives the impression that, though future co-existence between north Cheshire residents, industry and wildlife was likely to remain uneasy, the "great battle" of the Mersey Marshes had subsided and there would remain a green waterside wedge between Shell at Stanlow to the west and ICI's Runcorn plants to the east...

is right about the new owners—the agents have been extremely cagey—local residents can have little conviction that ICI's claim to have no plans to build on their land will long be valid. In August 1978, Sir Maurice Hodgson, ICI chairman, said in a letter to Mark Carlisle, MP for the affected area, that "in ICI's view the option for the possible development of this site, or part of it, for major industrial projects by ICI—or any other industrial undertaking—should be kept open"...

I would make the point that our member groups, including parish councils and amenity societies, are concerned with far wider issues than the adverse effects of industrial development on property values (as your contributor implies). In submissions related to the Cheshire structure plan, and more recently to the Mersey Marshes local plan, we have stressed issues of land-use planning—balancing the needs of industry for development of land against the adverse effects of air and water pollution, noise, hazard and visual intrusion on the quality of our environment...

Autopistas del Atlantico, Concesionaria Española S.A. U.S. \$75,000,000 Medium Term Loan. The State of Spain. managed by Arbutnot Latham & Co., Limited. Caixa de Aforros de Galicia. The Hokkaido Takushoku Bank, Limited. The Long-Term Credit Bank of Japan, Limited. Manufacturers Hanover Limited. Mitsui Trust Finance (Hong Kong) Limited. The National Bank of Kuwait S.A.K. The Saitama Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. Toronto Dominion International Bank Limited. co-managed by Alhbi Bank of Kuwait K.S.C. Vereins-und Westbank Internationale S.A., Luxemburg. Yasuda Trust and Finance (Hong Kong) Limited. provided by Arbutnot Latham & Co., Limited. Caixa de Aforros de Galicia. Takgin International (Asia) Limited. The Long-Term Credit Bank of Japan, Limited. Manufacturers Hanover Trust Company. Mitsui Trust Finance (Hong Kong) Limited. The National Bank of Kuwait S.A.K. The Saitama Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. Toronto Dominion Bank. Alhbi Bank of Kuwait K.S.C. Vereins-und Westbank Internationale S.A., Luxemburg. Yasuda Trust and Finance (Hong Kong) Limited. Banco Cafetero, S.A. (Panama). Banco de Progreso, S.A. Bank of British Columbia. Banco Pinto and Sotto Mayor. Banque Commerciale pour l'Europe du Nord (Eurobank). Christiania Bank Luxembourg S.A. Oesterreichische Laenderbank Aktiengesellschaft. Agent Bank The Long-Term Credit Bank of Japan, Limited. February, 1982.

UK COMPANY NEWS

Morgan Grenfell boosts profits 40% Cattle's (Holdings) ahead to £0.8m for year: pays 1p

NET PROFITS disclosed by Morgan Grenfell Holdings, the London merchant bank group, showed an advance of 40 per cent from £7.21m to £10.08m in 1981. On a per share basis stated earnings increased by 25 per cent from 23.5p to 29.3p. The dividend to shareholders is lifted from 4.67p to 5.6p with a final of 3.2p.

Both the group's domestic and international banking activities have increased during the year. Shareholders funds (after taking account of the £12.5m rights issue last June) increased by 37 per cent to £90.4m, while the balance sheet total showed a 39 per cent gain to £213.5m. Net assets per share were 214p (1981).

Total advances, loans and assets held for leasing increased from £491m to £797m of which £322m (£302m) was represented by loans guaranteed by the Export Credits Guarantee Department. Export finance transactions, in number and value, were nearly double those of the previous year. Acceptance credits increased from £241m to £384m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are increases or falls and the subdivisions shown below are based mainly on last year's timetable.

FUTURE DATES	
Distillers, Waterford Glass, Westmoughs, Willis Faber, H. Woodward	
TODAY	
British Car Auction, Paterson Zoehlen, Paschley Property, Ricardo Consulting Engineers	
Finals: Arnt Chemicals International, Equity and Law Life Assurance Society, Falmouth Construction, Fire Indemnity, Finlay Packaging, Firmin, Jove Investment Trust, London and Scottish Marine Oil, Smith and Nephew, Tomatin	

Money at short notice at December 31 showed a rise from £145.89m to £389.4m while other loans to banks and local authorities stood at £340.02m (£244.19m). Current accounts and deposits were up from £1.81bn to £1.65bn.

Lord Catto, chairman, says that contributions from all

growth making a contribution to profits "considerably ahead of expectations." The volume of work in hand remains high.

The corporate finance division had an extremely busy year, both at home and overseas, resulting in record income and the division's largest ever contribution to profits. A substantial number of new clients was secured during the year.

The chairman reports that record levels of business have again been achieved in the domestic banking division which has again been active in leasing. The eurobond division made good progress and nearly doubled the number of issues managed or co-managed.

Morgan Grenfell Investment Services, which offers international investment management to U.S. pension funds, had a successful year in obtaining new clients. Investment management business generally saw expansion.

After providing for group dividends of £2.7m (£1.5m), the year's profit retained is up from £3.71m to £7.38m.

See Lex

There was a credit for depreciation no longer required on re-valued properties of £72,000 (nil). CCA pre-tax profits were £356,000 (£128,000 loss).

An examination of the structure of the Shopadcheck division has been completed and a major costcutting exercise has commenced.

Branch accounts have been examined and the benefits of merging some branch offices has been recognised. This process will continue where it is considered that profitability will be improved without inhibiting the development into new geographical areas.

Four new offices in the Manchester area were added to the Oldham, Bury and Salford offices with the acquisition of the Progressive Clothing and Furnishing Club in November. Overall, turnover in this division was only marginally ahead of last year's figure but there are early indications that turnover this year can be expected to increase more markedly.

The group balance sheet shows stocks reduced from £2.53m to £1.99m and customers accounts receivable down £1.57m to £29.75m. Net borrowings totalled £18.27m (£20.55m) and the ratio of net shareholders funds to net borrowings has improved from 2.5 to 2.1.

comment

Cattle's has disappointed again, with pre-tax profits falling shy of the hoped-for £1m. It appears, however, that Cattle's is now on a better footing. The group has centralised control and rationalised its Shopadcheck operation, which is down from 10 to five regional offices. A new direct-mail operation, to be started this June, should add another £0.5m to turnover and give a useful boost to profits. Retailing, at the trading level, provided £300,000 in profits in 1981 and is gaining in importance within the group. Fourth quarter demand in hire purchase has improved and the group predicts doubled turnover in this area in 1982. A similar rise in profits can't be expected until 1983 as HP profits take time to come through. Even so, the company should make at least £1.25m this year pre-tax, with better prospects likely in 1983. The shares, down 21p to 28p stand on a prospective fully-taxed p/e of more than 12, which adequately discounts the recovery prospects. The dividend, which is twice covered, gives the shares a historic yield of 5.5 per cent.

Decline to £374,000 at Hewitt

As forewarned, a fall in turnover from £4.88m to £4.5m and £374,291 against £311,906 is lower 1981 pre-tax profits of reported by J. Hewitt and Son (Fenton).

At halfway, a profit decline from £290,000 to £84,000 was recorded and the directors said that although the second half should see some improvement, the full year's result would show a substantial downturn.

Tax for 1981 took £29,433 (£24,908), leaving earnings per share down from 19.2p to 14.2p. The net dividend total is being lifted, however, from 1.8p to 1.95p, with a final of 1.5p.

Second City Properties increases to £647,666

A RISE of £78,807 has been shown in the taxable results from Second City Properties, private and public developer, for the six months to October 31 1981. Pre-tax profits stood at £647,666 and turnover improved from £7.37m to £8.36m.

"The current state of the economy and the severe winter make it unwise for me to make a full year forecast," says Mr G. Jubbens, chairman. "However the group continues to be soundly based and is well placed to take advantage of any economic recovery."

The net interim dividend per ordinary 10p share has been declared at 0.6191p compared with a previous adjusted pay-

Arncliffe improves to £0.49m

IMPROVED margins and careful cost control at Arncliffe Holdings, property developer and building contractor, have helped increase the profits on lower turnover.

The pre-tax surplus improved from £483,973 to £495,558 on turnover £496,000 lower at £4.96m for the 12 months to October 31, 1981.

The final dividend is held at 1.54p, which repeats the total at 2.65p. State earnings per ordinary 10p share improved from 8p to 8.8p.

On a current cost basis the pre-tax figure was £245,000.

THE LONG-TERM CREDIT BANK OF JAPAN FINANCE N.V.

U.S. \$25,000,000 Guaranteed Floating Rate Notes due 1988

For the six months 22nd March 1982 to 22nd September 1982 the Notes will carry an interest rate of 15 7/8% per annum with a coupon amount of U.S.\$394.51.

Bankers Trust Company, Singapore Agent Bank

SCOTLAND INTERNATIONAL FINANCE B.V.

US\$100,000,000

Guaranteed Floating Rate Notes 1992

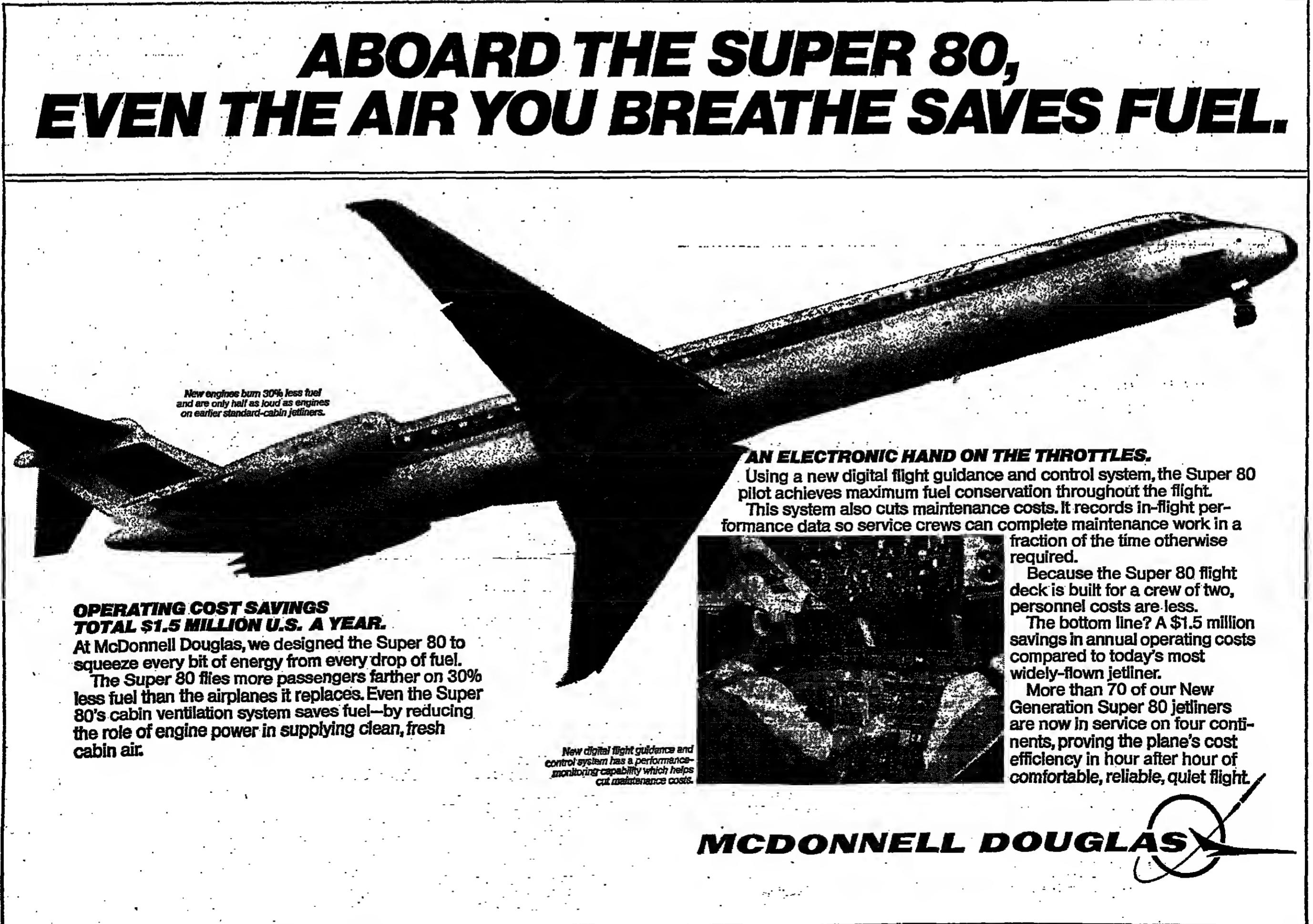
For the six months from 23rd March 1982 to 22nd September 1982 the Notes will carry an interest rate of 15 3/4% per annum.

The relevant interest payment date will be 23rd September 1982.

Coupon 2 will be for U.S. \$397.92.

Agent Bank
Barclays Bank PLC
Securities Services Department
54 Lombard Street
London EC3P 3AH

ABOARD THE SUPER 80, EVEN THE AIR YOU BREATHE SAVES FUEL.



New engines burn 30% less fuel and are only half as loud as engines on earlier standard-cabin jetliners.

AN ELECTRONIC HAND ON THE THROTTLES.

Using a new digital flight guidance and control system, the Super 80 pilot achieves maximum fuel conservation throughout the flight. This system also cuts maintenance costs. It records in-flight performance data so service crews can complete maintenance work in a fraction of the time otherwise required.

Because the Super 80 flight deck is built for a crew of two, personnel costs are less. The bottom line? A \$1.5 million savings in annual operating costs compared to today's most widely-flown jetliner.

More than 70 of our New Generation Super 80 jetliners are now in service on four continents, proving the plane's cost efficiency in hour after hour of comfortable, reliable, quiet flight.

OPERATING COST SAVINGS TOTAL \$1.5 MILLION U.S. A YEAR.

At McDonnell Douglas, we designed the Super 80 to squeeze every bit of energy from every drop of fuel. The Super 80 flies more passengers farther on 30% less fuel than the airplanes it replaces. Even the Super 80's cabin ventilation system saves fuel—by reducing the role of engine power in supplying clean, fresh cabin air.

New digital flight guidance and control system has a performance-monitoring capability which helps cut maintenance costs.

MCDONNELL DOUGLAS

GOPENG CONSOLIDATED LIMITED

CHAIRMAN'S STATEMENT

Before dealing with the affairs of the Company for the year ended 30th September, 1981, I consider that it is appropriate that I should comment on the Agreement recently concluded by your Board with the Perak State Development Corporation and on previous steps taken by your Board to comply with the Malaysian Government's New Economic Policy.

Since the inception of the New Economic Policy, the Board has sought ways and means of overcoming the many difficulties involved in reconciling the best interests of the Shareholders with the aspirations of this Government Policy.

Our first step was to undertake a joint venture with the Syarikat Permodalan Sdn Berhad, on a new dredging venture at Kampar. I shall be referring later in this Statement to the encouraging results achieved by this dredging unit during the first year of its operation.

Our second step has been to reach an agreement with the Perak State Development Corporation (an Agency incorporated by the Perak State Government, of which the Chief Minister is Chairman) covering the renewal of the Company's mining leases for a period of ten years and the conversion of certain areas of Agricultural land to mining facilities that go with them, it has been agreed that the Perak State Development Corporation shall receive 30 per cent participation in the Company's capital structure. The terms of this Agreement are, of course, subject to approvals being obtained from the Foreign Investment Committee and Capital Issues Committee in Malaysia, and to the approval of Shareholders at an Extraordinary General Meeting, to be called after the other necessary approvals have been obtained.

Therefore after many years of detailed planning and negotiation we do seem near to arriving at a solution to a most difficult problem, the outcome of which should give a much needed security of tenure to the Company's future mining operations.

The Consolidated Accounts for the Group's financial year ended 30th September, 1981, show a gross mining profit, before depreciation, of £3,345,310 compared with £4,133,190 from the previous year. The lower profit for the year under review was due partially to a sharp increase in both power and labour costs and also to reduced production from lower grade ground mined. Yields from the Estates were affected by unusually dry weather during July and August. Production from a reduced area available for tapping, due to replanting, was therefore lower in consequence.

After taking into account investment and sundry income, and allowing for depreciation and other charges, the overall profit from the mine and estates amounts to £3,148,635 before taxation and exchange adjustments of £2,517,054. The ultimate balance available for the year was £399,666 from which dividends of 17 pence per share have been declared (compared with 30 pence in 1979/80).

In the first four months of the current financial year 9,655 piculs (583.5 tonnes) of tin ore have been produced compared with 8,507 piculs (514.4 tonnes) during the corresponding period last year.

Our joint development Company Mammoth Di-Awan Sdn Berhad, to which I have referred previously, enjoyed a most successful first year of operation, producing 3,710 piculs of tin ore concentrates (234.4 tonnes) during the nine months ended 30th September, 1981. During the first four months of the current financial year 3,344 piculs (209.2 tonnes) have been produced.

The General Managers continued to carry out preliminary investigations of possible new mining areas in overseas territories.

The results achieved for the year under review were more or less as predicted. For the current year, provided as always the prices of tin and rubber are not unduly depressed by unfavourable economic trends and notwithstanding slightly lower production levels from both tin and rubber sources, we may look forward to satisfactory results and, I hope, a more secure future.

J. D. HELLINGS, Chairman

Current United Kingdom Tax Treatment
Interest on the Stock paid as provided herein is payable without deduction of United Kingdom Income tax.

Events of Default
If the Bank shall default in the payment of the principal of, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in any bonds or notes (including the Stock) or similar present or future obligations which have been issued, assumed or guaranteed by the Bank...

Prescription
The Bearer Bonds will become void unless surrendered for payment within a period of 10 years and the Coupons will, except as mentioned in "Payments" above, become void unless surrendered for payment within a period of 5 years...

Replacement of Stock Certificates, Bearer Bonds and Coupons
If any Stock Certificate, Bearer Bond or unmaturing Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Principal Paying Agent and Registrar upon payment by the claimant of such costs as may be incurred in connection therewith...

Title to Bearer Bonds and Coupons
The Bank and any Paying Agent may treat the holder of any Bearer Bond or Coupon as the absolute owner thereof (whether or not such Bearer Bond or such Coupon shall be overdue and notwithstanding any notice to the contrary or writing thereon) for the purposes of receiving payment and for all other purposes.

Notices
All notices shall be valid if despatched by post to the holders of Registered Stock at their registered addresses (in the case of joint holders to the address of the holder whose name stands first in the payment and publishing order in the newspaper printed in the English language and with general circulation in London or if this is not practicable, in a newspaper having general circulation in Europe. It is expected, however, that publication of such notices will normally be made in the Financial Times. Any such notice shall be deemed to have been given on the later of the date following the date of such despatch and the date of the first such publication.

Governing Law
The Stock and the provisions of the Instrument will be governed by and construed in accordance with the laws of England. Legal proceedings in connection therewith may be brought in the courts of England.

Trustees Status
When the Stock is listed, Registered Stock and Bearer Bonds will be instruments falling within Part I of the First Schedule to the Trustee Investments Act 1931, subject in the case of Bearer Bonds to the provisions of Section 7 of the Trustee Act 1925.

Building Society Status
When the Stock is listed, Registered Stock will be an instrument falling within Part I of the Schedule to the Building Societies (Authorised Investments) (No. 2) Order 1977 (as amended).

PURPOSE OF THE ISSUE

The net proceeds to the Bank from the issue of the Stock will be used in the general operations of the Bank.

INFORMATION RELATING TO THE BANK

Except as otherwise indicated, all amounts set forth herein are expressed in current United States Dollars.

The Bank is an international organization, often called the World Bank, the members of which are governments. The Bank was established and is operating under the Articles of Agreement signed by the member governments which in its stockholders. It began its operations on June 25, 1946. Its principal office is located at 1818 H Street, N.W., Washington, D.C. 20433. The United Kingdom, which has the second largest shareholding, and 140 other governments are now members of the Bank.

The principal purpose of the Bank is to promote the economic development of its member countries, primarily by providing loans for specific projects and related technical assistance, in the interest of promoting the long-term growth of international trade and improved standards of living.

The effective loans held by the Bank at December 31, 1981 totalled \$53,100,966,000 of which the undischarged balance was \$23,698,621,000. With the exception of \$685,395,000 in loans to the International Finance Corporation, all loans have been made to, or are unconditionally guaranteed by, member governments. The Bank's cash and liquid investments, which totalled \$9,143,000,000 at December 31, 1981, are invested in obligations of governments, certain United States government instrumentalities and in time deposits and other unconditional obligations of banks and financial institutions.

Capitalization
The following table shows the outstanding borrowings of the Bank, and its capital and reserves, at December 31, 1981:

Table with columns for Borrowings, Capital and Reserves, and Total. Rows include Payable in U.S. dollars, Payable in Deutsche mark, etc.

The uncalled portion of capital subscriptions, totalling \$35,161,972,000, may be called only when required to meet obligations of the Bank for funds borrowed or on any loans which might be guaranteed by it. This amount is thus not available for use by the Bank in making loans.

Under the Bank's Articles of Agreement, its capital is expressed in 1944 dollars which, until March 31, 1978, were translated by the Bank into current dollars at the rate of \$1.20635 per 1944 dollar. Following the effectiveness of amendments to the International Monetary Fund's Articles of Agreement on April 1, 1978, the basis for translating 1944 dollars into current dollars ceased to exist. The Bank's financial statements since June 30, 1978 have expressed the Bank's capital stock in terms of the special drawing right ("SDR") of the International Monetary Fund (\$1,150600 - June 30, 1981, \$1,16399 - December 31, 1981) on the basis that one SDR equals one 1944 dollar. However, the Executive Directors have not finally determined the effect of these amendments on the valuation of the Bank's capital and the rights and obligations of members with respect thereto.

Based on the substitution of one SDR for one 1944 dollar, the authorized capital of the Bank at December 31, 1981 expressed in current United States dollars, was \$63,397,724,000 (\$60,000,000). This amount of authorized capital includes a capital increase of 385,000 shares (about \$44,000,000,000), which is subject to adjustment depending on the determination of the valuation of the Bank's capital stock.

Summary Balance Sheet at December 31, 1981

Summary Balance Sheet at December 31, 1981. Table with columns for ASSETS, LIABILITIES, CAPITAL AND RESERVES, and Total. Rows include Due from banks, Investments, Receivable on account of subscribed capital, etc.

Summary Statement of Income

Summary Statement of Income. Table with columns for Fiscal years ended June 30 (1979, 1980, 1981) and Six months ended December 31, 1981. Rows include Total income, Expenses, and Net income.

This information relating to the Bank is qualified and further explained by the detailed information and audited financial statements published on behalf of the Bank in the Exchange Telegraph Cards relating to the Bank and the Stock dated March 22, 1982, which are available in the Extel Statistical Services and copies of which may be obtained from:

- Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE.
Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.
W. Greenwell & Co., Bow Bells House, Broad Street, London EC4M 9EL.
Rowe & Pitman, 1st Floor City-Gate House, 39-45 Finsbury Square, London EC2A 1JA.

GENERAL INFORMATION

The Bank has agreed to pay to the Managers a commission of seven eighths of one per cent of the nominal amount of the Stock for their services in managing and underwriting the issue. The Bank will also pay brokerage of one quarter of one per cent of the nominal amount of Stock issued pursuant to subscriptions received from or through recognized banks and stockbrokers. The total expenses of the issue (including the above-mentioned commission and brokerage) are estimated to amount to about £12 million and are payable by the Bank.

The Stock in the form of Bearer Bonds has been accepted for clearance from July 22, 1982 by Euro-clear Clearance System Limited (No. 6985) and CEDEL S.A. (No. 192406). There has been no material adverse change in the financial condition of the Bank since June 30, 1981.

The Bank has obtained the approval and agreement of H.M. Government required under the Bank's Articles of Agreement in connection with the issue. Copies of the Instrument constituting the Stock and of the latest audited accounts and of the Articles of Agreement of the Bank will be available for inspection at the specified office of each Paying Agent until redemption of the Stock.

Documents for Inspection
Copies of the following documents will be available for inspection at the offices of Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH during normal business hours until March 31, 1982:

- (i) the Articles of Agreement of the Bank;
(ii) the Underwriting Agreement referred to above;
(iii) a draft, subject to modification, of the Instrument constituting the Stock referred to above;
(iv) the audited accounts of the Bank for the five years ended June 30, 1981;
(v) a draft, subject to modification, of the Paying Agency Agreement; and
(vi) a draft, subject to modification, of the renounceable allotment letter referred to above.

Principal Office of the Bank
1818 H Street, N.W., Washington, D.C. 20433.

Receiving Bankers
Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE.

Principal Paying Agent and Registrar
Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE.

Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TL. and B Bishopsgate, London EC2N 4AE.

Paying Agents
Kreditbank S.A. Luxembourg, 43 Boulevard Royal, Luxembourg. Morgan Guaranty Trust Company of New York, 35 Avenue des Arts, B-1040 Brussels.

Solicitors to the Managers
Slaughter and May, 35 Abchurch Lane, London EC4N 3DB. Solicitors to the Bank
Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH.

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. Brokers
W. Greenwell & Co., Bow Bells House, Broad Street, London EC4M 9EL. Rowe & Pitman, 1st Floor City-Gate House, 39-45 Finsbury Square, London EC2A 1JA.

APPLICATION FORM

The application list will open at 10.00 am, on Thursday, March 25, 1982 and will close later the same day. The Form must be delivered to Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE. The Stock is not open for application to subscribers by U.S. persons (as defined in the Prospectus).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ISSUE
ON A YIELD BASIS OF £100,000,000 LOAN STOCK 1987

Payable as follows: On application £30 per cent. On June 23, 1982 the balance of the issue price.

Form with fields for Name, Address, and Amount of Stock applied for. Includes a section for 'FOR OFFICE USE ONLY' with checkboxes for acceptance and payment.

Notes: Applications must be for a minimum of £100 nominal amount of Stock and thereafter for integral multiples thereof.

We enclose a cheque drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of these Clearing Houses and made payable to 'Baring Brothers & Co., Limited' and crossed 'INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT'.

We hereby represent that I am not/nor is it a U.S. person (as defined in the Prospectus).

We hereby request that any Stock allotted to me/us be evidenced by an allotment letter addressed to me/us and be sent by post at my/r/our risk to me/us at the first address above.

Date: March, 1982

Signature lines for Applicant and Joint Applicants, including fields for name, address, and telephone number.

Signature lines for Usual Signatures, including fields for name, address, and telephone number.

ALTERNATIVE METHOD OF PAYMENT
(The method of payment is available in respect of payments of £20,000 or more only to recognised banks or stockbrokers as described in the Prospectus.)

Form for alternative payment method, including fields for name of bank or broker and address.

Authorised Signatures
In the case of a Corporation, the common Seal must be affixed to this form signed by a duly authorised officer who must state his capacity.

Form for authorised signatures, including fields for stamp of bank or broker, A.L. Number, and Stock Allotted.

Rustenburg Platinum's declining profits

BY KENNETH MARSTON, MINING EDITOR

THE DEPRESSED market for platinum coupled with the adverse impact on the major producers of a dual pricing structure is underlined by poor results of South Africa's Rustenburg Platinum Holdings for the first half of the current financial year to August 31. Net profits for the six months have dropped to R28.1m (£15m) from R82.3m in the same period of a year ago and the total of R120m for the year in last August.

Furthermore, the company expects an improvement in second-half profits which may well further decline unless a better balance between the supply of and demand for platinum is established at Rustenburg's producer price. The latest earnings provide a 1.8 cover for the maintained interim dividend of 12.5 cents (6.7p); the previous year's final was 3.25 cents.

Bougainville moves in the red

DESPITE ITS relatively low costs the Rio Tinto-Zinc group's big copper and gold-producing Bougainville Copper operation in Papua New Guinea has seen its profits in the ranks of the copper mines, which are operating at a loss.

Pancontinental Jackson earns \$3.2m deficit

THE FIRST set of annual results from the Dallas-based oil-and-gas explorer and producer Jackson Exploration since the company was launched, on Taddon's United Securities Market shows pre-tax profits for the year ended December 31 of U.S.\$1.6m (£1.1m) in contrast to the \$2.2m forecast in the prospectus in last July's notation in 1980.

The stepping up of marketing activities for uranium from the bid high-grade deposit at Jabluka in the Northern Territory led to increased expenditure, the company said yesterday.

Mine cancels refinancing

THE U.S.-controlled Southern Peru Copper has cancelled loan commitments for the refinancing of \$100m (£55m) of long-term debt because it was unable to obtain foreign exchange permission from the Peruvian Government. The proposed refinancing has been postponed until before.

MONARCH AIRLINES advertisement featuring a Boeing 737 and 2 T7 aircraft. Includes contact information for Robert Fleming & Co Ltd, Central Trustee Savings Bank Ltd, and The Barclays Bank Group.

Companies and Markets

UK COMPANY NEWS

BIDS AND DEALS
Illingworth trustee granted extension

THE JUDICIAL trustee of the 27 per cent holding in wool textile group, Illingworth Morris, has been granted an extension to consider the purchase option granted by Mrs Pamela Mason to Abele, a private Isle of Man company run by Mr Alan Lewis, before the proceedings go to the High Court. A further three week extension may be granted in a fortnight but at the latest the group expects the court application to be heard early in May.

WATERWORKS
JERSEY NEW

The Jersey New Waterworks Company has been approached by the States of Jersey to discuss the sale of a controlling interest in the company's equity. The board indicated yesterday that it might be submitting proposals to shareholders shortly. In the meantime, the board, advised by Samuel Montagu, has advised shareholders to take no action pending the outcome of the discussions.

CAPEL COURT

Capel Court Corporation, the Australian merchant bank, has agreed to recommend unanimously to its shareholders that they accept the bid made by T and G Mutual Life Society and Samuel Montagu and Co. The terms of the bid (announced on February 17) have been revised and are now AS1.75 cash per share (the interim dividend is announced in February). The bid, if accepted, will give T and G and Samuel Montagu stakes of 60 per cent and 40 per cent respectively in Capel Court.

It is to be accompanied by a proposed capital injection of AS15m but remains subject to the official approvals required by the Australian Foreign Takeovers Act 1975. Formal offer documents are expected shortly.

HAYS GROUP/LEADENHALL STILG.

The offers by Hays Group for the whole of the share capital, in issue and to be issued, of Leadenhall Sterling have become unconditional in all respects pending the approval of Leadenhall's shareholders of a special resolution to effect a capital re-organisation of Leadenhall's share capital. The offer remains open for acceptance until at least April 15. If appropriate, Hays intends to apply the provisions of Section 209 of the Companies Act 1945 to acquire compulsorily any of the outstanding share capital.

ACROW AUTOMATION IN SWITZERLAND

FOLLOWING THE expansion plans announced by Mr Brian Walters, the new managing director when he joined the company in 1980, Acrow Automation has appointed a new Swiss distributor, Folites, for all Automation products in Switzerland. Despite the Acro group's close connections with Switzerland through their founder and chairman, Mr W. A. de Vigier, this is the first time they will be exporting Automation products into that country. Late last year, Acrow announced the appointment of distributors in Holland and Saudi Arabia.

Williams & James holds final

A REDUCTION in second-half losses from £73,237 last time to £35,545 enabled Williams and James (Engineers) to cut the full year pre-tax deficit for 1981 to £5,828, compared with £46,670. The result this time was struck after exceptional charges of £67,000. After a tax charge of £36,345 (£43,966 credit) stated loss per 25p share increased from 2.2p to 3.18p. However, the company, which makes specialised air compression equipment, is maintaining its final dividend at 1.25p net for an unchanged total of 2.40sp.

The directors say the company is poised to take full advantage of improvements in economic conditions. As part of a growth policy, they intend to seek suitable opportunities to expand by investment and acquisition. The directors are considering an alteration of the group's structure and as a preliminary step, they are proposing to change the parent company's name to Wiljay. Turnover for the year showed a slight decrease from £7.15m to £6.96m. The pre-tax loss included a £3,984 share of associate's profit this time, but after the tax charge the net deficit was up from £1,674 to £42,173.

J. & J. Makin profits slump at six months

After associated losses of £30,000 pre-tax profits at J. and J. Makin Paper Mills slumped from £276,000 to £265,000 for the six months to September 30 1981. The directors state that the second half will also reflect the depressed conditions in which the group is having to operate. They add that there is no sign at present of an improvement in these conditions. The net interim dividend has been held at 1p—last time's total was 3p paid from pre-tax profits of £938,379 (£1.18m) on turnover of £18.14m (£17.32m). Half-year turnover slipped from £9.54m to £8.95m.

Relyon up to £1.8m

After a near doubling of pre-tax profits at the interim stage, Relyon PBWS, manufacturers of mattresses and divans, reports lower second half profits of £781,000, down from £896,000 in 1980. Total profits for the year at £1.8m pre-tax, up from £1.45m in 1980, are back to the 1979 level.

The chairman said to his interim report that both turnover and profitability showed a return to levels achieved before the current recession and he hoped that this could be maintained. He added that the pattern of trading remained unsettled but that he was optimistic about the immediate future. The final dividend is raised from 3p to 3.25p per ordinary 25p share, making 5.26p for the year, compared with 4.8p. The directors are also recommending a one-for-five scrip issue. Sales for the year rose to £13.25m from £11.81m. Profits at the trading level were higher at 22.2m, compared with £1.79m in 1980. Depreciation was £382,817 (£312,652) and loan interest payable £20,069 (£20,500). After a much heavier tax charge, net profits came through lower at £697,973 (£1.2m). Stated earnings per ordinary 25p share are down to 10.96p from 12.7p in 1980. Pre-tax profits on a current cost accounting basis are stated at £1.64m, up from £1.6m in 1980.

LONDON TRADED OPTIONS

Table with columns: Option, Mar 22, Total Contracts, 1,069, Call/Put, 584/475, Apr, May, June, July, Aug, Sept, Oct, Equity close. Lists various options like BP, CIL, GEC, etc.

Rustenburg Holdings Platinum Limited

(Incorporated in the Republic of South Africa)

Consolidated Interim Report for the six months ended 28 February 1982

CONSOLIDATED INCOME STATEMENT. The unaudited consolidated Income Statement for the six months to 28 February 1982, together with comparable figures, is set out below. Columns for Six months to 28.2.82, Six months to 28.2.81, Twelve months to 31.8.81. Rows for Net operating profit, Provision for renewals, Profit before taxation, etc.

NOTES
1. Profit before provisions was lower by R7.5 million (or 36.8%) than that in the corresponding period of the 1981 financial year, due principally to the substantial decline in the volume of platinum sold.
2. Expenditure on mining assets during the half year amounted to R2.0 million, of which R1.6 million was charged against the renewals and replacements reserve as ongoing capital expenditure.

DECLARATION OF DIVIDEND

Dividend No. 56 of 12.5 cents per share, South African currency, has been declared payable to members registered in the books of the Company at the close of business on the 16 April 1982. The conditions of payment, which can be obtained from the Company's Head Office or from the London Secretaries, provide inter alia that the dividend shall be converted to the United Kingdom currency at the rate of exchange quoted by the Company's Bankers on the 4 May 1982. South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted where applicable. The Register of Members will be closed from 17 April 1982 to 24 April 1982, both days inclusive, and dividend warrants will be posted on the 15 May 1982.

Head Office and Registered Office: Consolidated Building, Corner Fox and Harrison Streets, Johannesburg 2001, P.O. Box 590, Johannesburg 2000. London Secretaries: Barnato Brothers Limited, 99 Bishopsgate, London EC2N 3SE. 22 March 1982.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, May, Last, Vol, Aug, Last, Vol, Nov, Last, Stock. Lists various options like GOLD C, F.100, F.110, etc.

BASE LENDING RATES

Table with columns: Bank Name, Rate. Lists banks like A.B.N. Bank, Allied Irish Bank, American Express Bk, etc.

Sales down for Reliable Properties

Taxable profits of property dealer Reliable Properties dropped from £294,000 to £274,000 in the half year to December 31 1981. Property sales and rental income were also down, from £613,000 to £490,000. A net interim dividend of 1.25p per 25p share is being repeated. Last year a final of 1.25p was paid out of pre-tax profits of £247,903.

BANCO HISPANO

A placing of 800,000 existing shares of Banco Hispano Americano SA has been arranged by Singer and Friedlander. The shares, which represent 14 per cent of the bank's issued share capital, have been sold by one of its controlled associates, and bought by institutions in London and New York. Brokers to the placing were Cazenove.

WEBBER ELECTRO

Next Thursday's annual general meeting for Webber Electro Components starts at noon, and not at 11 am as stated yesterday in the Week's Financial Diary.

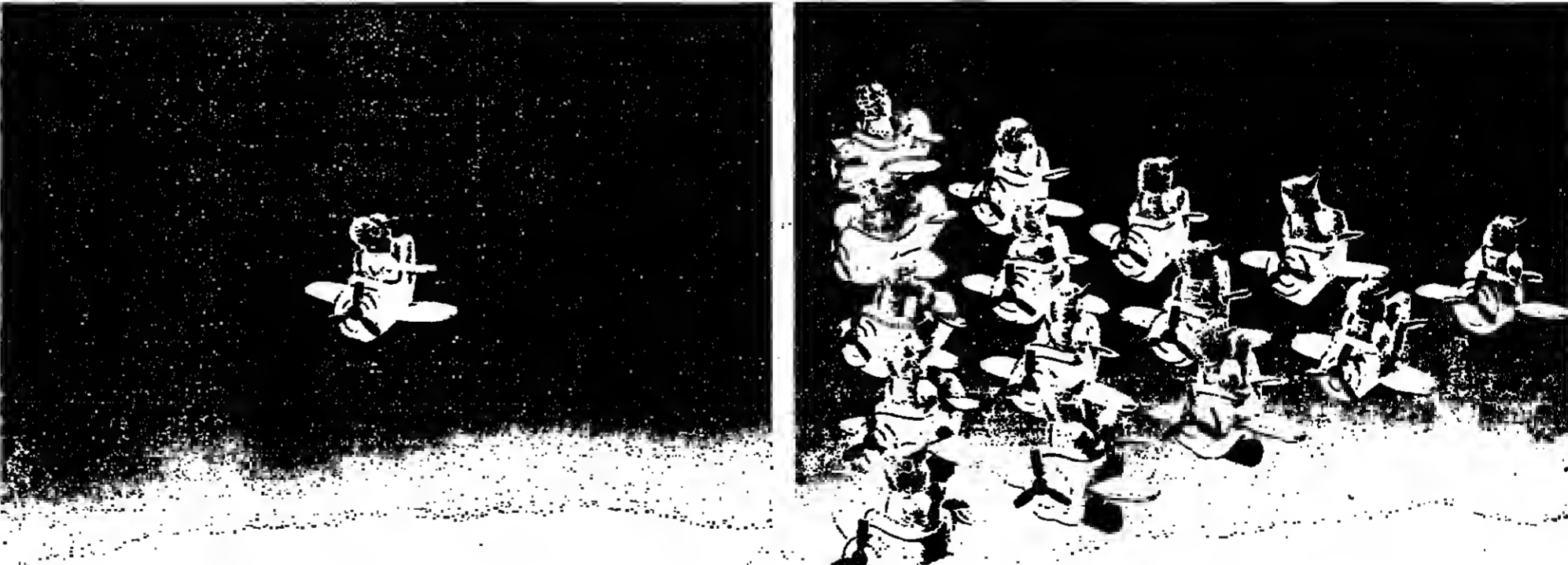
Kingdom of Denmark U.S.\$ 100,000,000 Floating Rate Notes due 1988

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from March 22, 1982 to September 22, 1982 the Notes will carry an interest rate of 15 7/8% per annum. The interest payable on the relevant interest payment date, September 22, 1982 against Coupon n° 4 will be US\$ 19,725.69 per Note. Agent Bank: KREDIETBANK S.A. LUXEMBOURGEOISE.

GEORGE DEW P.L.C.

Incorporated in England under the Companies Acts 1948 to 1980 Registered No. 1549085 SHARE CAPITAL Issued and fully paid £2,250,000 in Ordinary Shares of 25p each £2,000,000

Following the publication of a Prospectus dated 18th September 1981 the Company, which had not previously traded, issued 7,600,000 shares at 102p per share and acquired on 24th September 1981 the whole of the issued share capital of C. Dew & Company, Limited ("Dew") for a cash consideration of £7,800,000. Dew and its subsidiaries trade at home and overseas as civil engineering contractors, industrial builders, landscape & stonemasonry contractors and piling & foundation specialists. Application has been made to the Council of The Stock Exchange for the admission of the whole of the issued share capital of George Dew P.L.C. to the Official List. Particulars of the Company are available in the card service of Extel Statistical Services Limited and copies of such particulars may be obtained during usual business hours until 8th April 1982 from: Minister Trust Limited, 7/11 Moorgate, London EC4R 9BH. Laurence, Prust & Co, Bosildon House, 7/11 Moorgate, London EC4R 9BH.



1978 Since the first toy came off their north east production line at Peterlee, Fisher-Price have never looked back. That's not surprising. For the north east is a great place to live and work. Its communications are excellent. Its workforce skilled and flexible. And its labour relations are second to none. Fisher-Price will confirm that. They'll also praise the help and guidance they have had from the development corporation: special grants, tax concessions, financial incentives. And a lot more besides. It was in 1978, after a long search that Fisher-Price landed at Peterlee. Today, this bustling new town is firmly established as the company's European HQ. In fact they've just moved into a new 180,600 sq ft plant capable of producing up to 10 million units a year and they plan to take on another 400 workers. That spells success in any language. It's what happens to a company when it decides the north east is best. Nearly 200 other companies are flourishing in Aycliffe and Peterlee. Isn't it time you joined them? Fill in the coupon now and send it to: Peterlee Development Corporation, Peterlee, County Durham SR8 1BB Telephone (0783) 863366 Telex 537246. I'd like to take off too. Please send me something to work out the advantages. Name, Position, Company, Address. AYCLIFFE + PETERLEE THE ANSWER FOR INDUSTRY

AUTHORISED TRUSTS

Table listing various authorised trusts and their managers, including Abbey Unit Trst Mgrs, AHR Unit Trst Mgrs, and others.

Companies and Markets CURRENCIES; MONEY and GOLD

Dollar firm

The dollar was slightly firmer in currency markets yesterday, reflecting to some extent switching out of weaker European currencies...

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various currencies like US Dollar, Swiss Franc, etc.

THE DOLLAR SPOT AND FORWARD

Table showing dollar spot and forward rates for various currencies like UK, Canada, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries like Belgium, Denmark, etc.

CURRENCY MOVEMENTS

Table showing currency movements and rates for various currencies like Sterling, US Dollar, etc.

OTHER CURRENCIES

Table showing other currencies and their rates, including Argentina, Brazil, etc.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies like Pound Sterling, US Dollar, etc.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 22)

Table showing FT London interbank fixing rates for 3 months and 6 months US dollars.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table showing Euro-currency interest rates for various currencies like Sterling, US Dollar, etc.

MONEY MARKETS

Short-term interest rates had a slightly firmer trend in the London market yesterday...

LONDON RATES FIRM

London rates firm (15-33 days) at 13 per cent; 3-month bill at 12 1/2 per cent...

Quiet trading

Gold 85 an ounce on Friday's closing level in the London market yesterday...

LONDON MONEY RATES

Table showing London money rates for various currencies like Sterling, US Dollar, etc.

MONEY RATES

Table showing money rates for various currencies like Sterling, US Dollar, etc.

GOLD FORWARD CURRENCY

New Zealand raises \$250m with first floating rate issue

NEW ZEALAND is raising \$250m through the issue of five-year floating rate notes which bear a spread of 1/2 per cent above the six-month London interbank offered rate (Libor). The floating rate notes, New Zealand's first such issue, provides a 5 1/2 per cent minimum coupon and is being led by Kidder Peabody International. Although New Zealand has borrowed in the Euro-Dollar, Swiss franc and yen sectors, this is its first appearance in the Euro-Dollar bond market since 1977. The spread of 1/2 point above Libor reflects the relatively favoured reputation New Zealand has enjoyed of late in the Euro market. The five-year interest Euro-dollar issue is a \$200 million issue as out for Gulf States Utilities, the Triple E-rated U.S. utility, CSFB is leading the offer, which provides a 16 per cent coupon and an indicated price of 99 1/4. The last time Gulf States came to the Euro market it paid a whopping 17 1/2 per cent coupon on its \$60m issue, that was last September. Yesterday saw a rather quiet secondary market in the Euro-dollar sector, with a 10 1/2 per cent issue was launched last night for the Province of Quebec, one of the Euro-

Portugal's credit terms surprise bankers

PORTUGAL has confounded the expectations of the Eurocredit market by successfully negotiating a 2 per cent margin for its forthcoming \$300m eight-year credit. The loan will bear a margin of 1 per cent over Eurodollar rates for the first six years of its life, declining to 1/2 per cent thereafter. These are exactly the same margins as those set for a \$500m syndicated credit by the same borrower last year. News of the margins came as a shock to bankers in London who had been expecting Portugal to abandon efforts to retain the 1/2 element in the face of growing market resistance to such deals. Only last week another southern European borrower, Greece, opted for a credit bearing a margin of 1 per cent for eight years. The response was so good that Greece was able to raise the amount of its credit to \$400m from \$400m. But bankers fear that Portugal's credit could receive a less than enthusiastic welcome when it enters syndication. A similar fate befell a recent loan for the country's development bank Banco de Fomento Nacional which sought to raise \$120m on a split 1-1/2 per cent margin last year. There are two mitigating factors for the conditions on the latest loan. The front-end fees are reported to be much higher than last year, and the 1/2 per cent margin will only apply after repayments have already started. These are expected to begin after a grace period of about five years. Lead managers of the credit are expected to include Chase Manhattan, Citicorp, London Bank International and National Westminster as well as a number of Japanese banks.

Moody's has moved on the credit ratings of nine large U.S. banks. David Lascelles reports Rating cut for banks echoes wider problems

THE DOWNGRADING of the credit rating of nine of the largest banks in the U.S. by Moody's last week was one of the most sweeping of its kind. While certainly not grounds for suspecting that any of them are about to go bust, it shows that the U.S. banking industry is feeling a bit of strain. The New York credit rating agency, demoted from prized triple A status to double A the bonds of Bank of America, the largest bank in the U.S., Chase Manhattan, Manufacturers Hanover and Chemical Bank all of New York, Continental Illinois, Chicago's biggest bank, Mellon National Bank, the largest in Pennsylvania, National City, number three in Ohio, and First Bank System and Northwest Bank, two large regional banks based in Minneapolis. With the demotion earlier this year of Citicorp, New York's largest bank, only one major U.S. banking group now warrants triple A at Moody's: J.P. Morgan, the parent of Morgan Guaranty, of which Moody's says glowingly, "It has not remained clearly superior profitability, and leverage and asset quality." The demotion applies only to the banking group's bonds. The banks' standing for letters of credit, commercial paper and so on remains unaffected. In practice it means that these banks will have to pay slightly more for their money in the capital markets and not surprisingly, they are distressed by Moody's move. Mr Sam Armacost, president of Bank of America, said he disagrees with it because of his bank's "uniqueness and quality." Chase commented archly: "All we can say is that Moody's awarded us a triple A rating in 1979, and since that time our performance by virtually every financial measure has steadily and substantially improved." The timing of Moody's action strongly suggests that it is linked to the sharp increase in growth at the same rate. "Leverage" — the extent to which a bank's total assets exceed its equity — has risen sharply. Since 1980, equity has declined from 8.1 per cent to 5.8 per cent of total assets at U.S. commercial banks. This means that for every dollar of equity in the banking industry, there is now about \$17.50 in assets, mostly loans. And the ratio is much higher at the large and best-known banks, where every dollar of new lines of business or geographic regions. The regulators have tried to adapt to changing times, but as Moody's notes, "changes in regulations tend to lag behind changes in circumstances." On the funding side, banks have been hard-pressed by the popular money market funds which have lured savers away from the banking system with their high yields. On the lending side, pricing has become keenly competitive with the inroads made by foreign banks and the commercial paper market, where large corporations can get loans more cheaply than at banks. Banks have responded by paring profit margins to keep business. But they have also, Moody's says, expanded into new fields, such as foreign lending, which carry greater risk, and even mortgages which cost some large banks very dearly. Aggressive banks have also been tempted to gamble by deliberately mis-matching their interest rates will shift in a way that will reduce their funding costs and raise the yield on their assets. The troubles is, interest rates are now so volatile that they can just as easily move the wrong way, Moody's says, "occasionally disastrous results." Although Moody's concludes its 20-page report with the reassuring comment that U.S. banks remain among the strongest and best in the world, it has probed a lot of sensitive spots and is bound to fuel doubts which have been around for some time. The two key regulators of the banking system, the Federal Reserve Board and the Comptroller of the Currency, have been worried that banks may be over-reaching themselves, and want to set firm rules on key ratios such as capital adequacy and leverage. Only last autumn, Mr Paul Volcker, the chairman of the Fed, told the annual convention of the banking industry that he was concerned about the new risks besetting banks: the turbulence of the financial markets and the speed of change. "Prudence has many dimensions," he said. "But I must tell you in all candour that I am uneasy about the slippage in one key measure of banking strength — the capital position of some of our large banking organisations over much of the post-war period." He urged banks to try to strengthen their capital bases and warned that the Fed would be watching their efforts closely. The Comptroller's office is trying to tighten up the definition of capital adequacy. However, its efforts have been slowed by a barrage of complaints from the banking industry which thinks the proposals too constricting. The latest set of proposals from the Office have loosened them a bit, but it could still be some time before they get to the rule book.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these other bonds see the complete list of Eurobond prices which will be published next on Thursday April 15.

Table with columns: U.S. DOLLAR, DEUTSCHE MARK, STRAIGHTS, CONVERTIBLE, and other bond categories. Includes issue names, amounts, and yields.

Takeover offer for GAF wins favourable response

GAF CORPORATION, the troubled New York-based chemicals and building materials group, received a favourable response to its takeover offer from a large but unnamed corporation which it appears to like. It said two other companies had also approached it with a view to buying its building materials business. GAF said it had replied affirmatively to all these approaches and had hired Morgan Stanley, the Wall Street investment firm, to investigate them. Morgan Stanley will also help it put together a possible "leveraged buy-out" if the building materials business is sold. GAF said, in a leveraged buy-out, the acquiring company uses the assets of the company it is buying to finance the deal. If any of the deals go through, they could finally bring to an end the decades-old saga of GAF, which has consistently had one of the worst profitability records in U.S. industry. Last year, it sold about half a dozen businesses in order to concentrate solely on chemicals and building materials. GAF shares have recently been trading at a 12-month low of \$8.75, giving it a market capitalisation of about \$125m.

Premium income higher at Assicurazioni

ASSICURAZIONI GENERALI, Italy's largest insurance company, announces a 22 per cent rise in premium income for 1981 and a scrip issue. The company says premium income last year was L1,700bn and that its investment portfolio was L2,500bn, showing an increase of 30 per cent. Income from investments was up 29 per cent at L260bn. Assicurazioni Generali plans a one-for-four scrip issue. It is also to give its shareholders a stake in its two-thirds owned subsidiary, Alleanza Assicurazioni, on a one-for-five basis.

Ford Argentina to lay off 22% of workforce

ARGENTINA'S motor industry crisis deepened with the announcement by Ford Argentina over the weekend that it planned to lay off indefinitely 22 per cent of its estimated 13,500 workers. The layoffs affect the group's three main plants at Pacheco near Buenos Aires, and Troncos and Merdon in the northern city of Cordoba. They are aimed at reducing production at a time of sharply lower sales. Ford has been the hardest hit by the recession in the Argentine motor industry. The company, a subsidiary of Ford of the U.S., badly misjudged the market last year when it stepped up production to meet a temporary recovery in sales. Sales last October increased by 45 per cent largely because of a 7 per cent cut in motor tax. The measures were dropped by the incoming government of President Leopoldo Galtieri in December. Motor manufacturers since have had to increase their prices, and there has been a sharp drop in sales. Ford has lost its traditional place as leading manufacturer to Renault, and has been forced to cut production because of substantial overstocking.

Lynch profits helped by CIT Alcatel equity

THE FINANCIAL condition of LYNCH Communication Systems, the Nevada-based provider of electronic telecommunications equipment, improved substantially as a result of the equity infusion from CIT Alcatel of Paris, according to Mr E. Dertinger, Lynch chairman. Fiscal 1981 brought a turnaround from a loss of \$2.6m to a profit of \$329,000 or 25 cents a share. Sales rose 20 per cent to \$47.4m. The main benefit for Lynch from the link in September last year with CIT Alcatel will be access to a "host of new product and market opportunities."

European Banking Company Limited

Consolidated Balance Sheet as at 31st December. Table with columns for 1981 and 1980. Rows include ASSETS (Cash in hand, Bank certificates, etc.), LIABILITIES (Current and deposit accounts, etc.), DEFERRED TAXATION, SUBORDINATED LOAN NOTES, SHARE CAPITAL AND RESERVES, and U.S. QUARTERLIES.

U.S. QUARTERLIES

Table showing quarterly financial data for various U.S. companies, including Revenue, Net profits, and Net per share.

INTERNATIONAL COMPANIES and FINANCE

Veba holds dividend as year's net profits rise to DM 461m

BY JONATHAN CARR IN BONN

VEBA, West Germany's biggest industrial concern in turnover terms, proposes to pay an unchanged 15 per cent dividend after increasing group net profit in 1981 to DM 461m (\$193.7m) from DM 392m a year earlier.

Increase in earnings at Bayerische Vereinsbank

BY STEWART FLEMING IN FRANKFURT

FOR THE second successive year Bayerische Vereinsbank, West Germany's fourth largest commercial bank with assets of DM 98.3bn, has bucked the downward trend in banking profits and announced increased earnings for 1981.

Wagons-Lits moves ahead

BY OUR FINANCIAL STAFF

WAGON-LITS, the Belgian-based railway services, catering and hotels group, reports a net profit of Bfr 309.9m (\$7m) for 1981, a rise of 16 per cent over the Bfr 266.8m returned in 1980.

Luxembourg steelmaker deeper in the red

By Our Financial Staff

ARBED, the Luxembourg steelmaker, has moved deeper into the red with a loss of Lfr 3.2bn (\$71.5m) for 1981. The loss compares with a deficit in 1980 to Lfr 1.6bn and Lfr 2.1bn in 1979, and reflects falling sales and mounting financial charges.

Jacques Borel plans merger

By David White in Paris

JACQUES BOREL International, the restaurant business which went through a spectacular rise and fall in the late 1970s, plans to merge with Novotel, the hotel chain which took over its own troubled hotel interests in 1980.

Burmeister yard bounces back

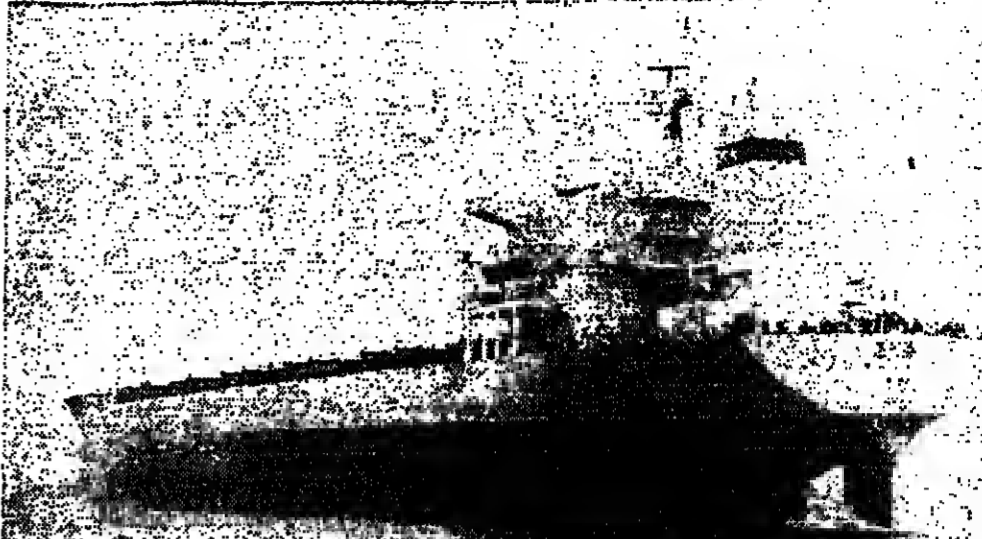
Andrew Fisher examines two members of the former Burmeister and Wain group

BURMEISTER and Wain Shipyard, the Copenhagen shipbuilder whose parent went bankrupt in 1980, has emerged into profit on its order book of fuel-efficient bulk carriers but will report a hefty loss for the past year and a half.

The actual figures will be announced in May or June and cover the period from the yard's re-establishment as a separate company outside the bankruptcy group in mid-1980 with the shares controlled by the Danish government.

to deliver the seventh ship in the run to Newark Shipping of Liberia for management by Wheelock Marine Services of Hong Kong.

With an order book running well into 1984 and 11 more of its successful 64,000 deadweight tonne ships to be delivered, the yard has excited the envy of many of its foreign competitors.



The Wen Zhou Hai built for COSCO

Their success stems from the combination of the yard's own hull design with the fuel-economy engines of B and W Diesel, now part of the MAN engineering group of West Germany.

Healthy though this order book may be, the yard has not actually had a new contract for a year. But Mr Calo Sverdrup, the Norwegian-born managing director, professes not to be too worried.

"We can afford to wait—at least for a year," he said. The yard's streamlined hull design could be used in other types of bulk carriers, as well as medium-sized oil product tankers, he noted.

MAN injection gives B and W Diesel a boost

TWO YEARS ago, when B and W Diesel was struggling along in the financial wash caused by the problems of its parent concern, its order book for new engines was less than half the present DKr 1.5bn.

over, it was able to start on the difficult climb back to profitability. MAN also provided DKr 50m of much-needed working capital.

Turnover is set to rise from just over DKr 1bn in 1980 and DKr 1.4bn last year to DKr 1.8bn in 1982. Up to a tenth of this comes from royalty income from builders of B and W engines under licence.

Diesel a major forte in the provision of economic propulsion units for cargo ships.

Although not formally linked with Burmeister and Wain Shipyard, the diesel company works with it closely on new designs.

French textile group stages recovery

BY OUR PARIS CORRESPONDENT

ONE OF France's leading textile producers, the DMC group, says operating accounts moved back into profit for the second half of last year following an upturn in sales.

54m. But it said that the latest loss stemmed essentially from the cost of shedding jobs under its restructuring programme.

Group turnover for the year reached Ffr 5.2bn — a 15 per cent increase in comparable terms. Exports made up 65 per cent of the total.

Italian bank lifts payment

BY OUR FINANCIAL STAFF

BANCA Commerciale Italiana, clients rather than other banks was up only 101 per cent at L14.912bn, compared with an annual inflation rate in Italy last year of 18.5 per cent.

portion of deposits due to one of the three banks in which the state industrial holding company IRI has a controlling stake and in 1980 the second biggest in the country more than doubled its profits to L45.1bn (\$85.2m) last year from L22.8bn for 1980, writes James Burston in Rome.

AVON PRODUCTS, INC. has acquired through merger MALLINCKRODT, INC. BLYTH EASTMAN PAINE WEBBER INCORPORATED. March 10, 1982.

U.S. \$75,000,000 GZ Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft. Floating Rate Subordinated Notes Due 1991.

U.S. \$20,000,000 IBI The Industrial Bank of Japan, Limited London. Floating Rate London-Dollar Negotiable Certificates of Deposit due 20th September, 1984.

The Japan Development Bank (Incorporated pursuant to The Japan Development Bank Law). U.S. \$ Denominated 8% Yen-Linked Guaranteed Notes 1987 of an aggregate principal amount equivalent to Yen 12,500,000,000. Unconditionally and irrevocably guaranteed by Japan.

Companies and Markets INTL. COMPANIES & FINANCE

Fairfax ahead at midway despite higher interest

By GRAEME JOHNSON IN SYDNEY

JOHN FAIRFAX, the major Australian media group, has lifted interim net profits by 28.6 per cent to A\$8.6m (US\$5.1m) despite a further sharp rise in interest charges related to its defence of the Herald and Weekly Times Ltd. in fiscal 1979-80.

not be sustained for the full year. In addition, revenues of some of its Sydney publications were weakening. The strong first-half growth reflected better performances by Amalgamated Television Services Pty., its television subsidiary, by David Syme and Company, its Melbourne subsidiary which publishes The Age newspaper, and by regional newspapers.

The stake was built up at a cost of A\$50m in late 1979 to help Herald and Weekly Times successfully ward off a takeover attempt by News Ltd., controlled by Mr Rupert Murdoch. The purchase caused Fairfax's interest bill to rise to A\$7.23m in the half year ended December 1980, from A\$4.1m a year earlier. The bill rose further in the latest half to A\$10.3m.

Sharp rise in profits and assets at GIB

By Mary Frings in Bahrain

PROFITS at Gulf International Bank (GIB) improved by 178 per cent from US\$12.4m to \$34.6m in the year to December 1981. This presents a return on average assets of just over 1 per cent, and a return on shareholders' equity of 20 per cent.

Sales fall at Leyland Australia

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND AUSTRALIA, the subsidiary of BL of the UK, held its pre-tax profit last year at A\$3.8m (US\$3.5m) compared with A\$3.4m in 1980 despite a sharp fall in sales from A\$190m to A\$158.2m.

vehicles; trucks; bus chassis; parts; and PMC-Demming, an autonomous bus and coach division. Leyland spent over A\$10m (US\$10.6m) to introduce assembly of the Peugeot 505 to its Enfield plant last year and will introduce further Peugeot models in 1982.

four-year high. This reflected the "significant improvements in supply and quality levels from the parent manufacturing plants of the various BL car divisions." Leyland trucks lost ground last year in the face of severe price-cutting by competition and the bedding-down of a rationalised distribution system.

Further asset transfers within Carrian group

By Robert Cottrell in Hong Kong

CARRIAN INVESTMENTS, the quoted arm of the mercantile Hong Kong property and services group, is to acquire a package of property assets from its parent, Carrian Holdings. The transfer is to be paid for by the issue of 69.1m new Carrian Investment shares, valuing the assets at HK\$275m (U.S.\$47m).

Problems in Denmark hit results at East Asiatic

By HEILY BARNES IN COPENHAGEN

A DECLINE in earnings from shipping, forestry and plantations combined with lower investment income hit operating profits in the East Asiatic Company last year, according to the annual report. The group, which is Denmark's largest industrial company, slipped into the red and passed its dividend for 1981: had considerable problems with its Danish operations. Eight of the 18 Danish subsidiaries had a unsatisfactory year, including the three major industrial operations—Pharmose Food processing, Dansk Soyakagefabrik, and the Naskov shipyard.

closed in Rwanda, Gabon, Guatemala, South Korea, Canada, and Denmark. Earlier this month the group reported a net loss of Dkr 282m, compared with profits in 1980 of Dkr 255m out of which a dividend of 10 per cent was paid. The 18 ships operated by the group increased freight income from Dkr 2.4bn to Dkr 3.3bn, but operating profits fell from Dkr 607m to Dkr 416m (\$21.5m), hampered by unsatisfactory results on U.S. west coast, Asia and Australia routes.

Start-up for Pegi-MPH Dunlop venture

By Our Financial Staff

PEGI and Multi-Purpose Holdings, two major Malaysian investment companies, will incorporate by the end of this month their previously announced joint venture to hold their respective stakes in Dunlop Estates, Pegi said yesterday. The joint venture was announced last September when MPH, the investment arm of the Malaysian Chinese Association, paid 252m ringgit (US\$108m) for a 51 per cent stake in Dunlop Estates. These shares will be transferred to the new company, Pegi-Multi-Purpose Holdings, at cost as a loan. Pegi will similarly transfer its 17 per cent stake in Dunlop Holdings for 100.8m ringgit as an interest-free loan. The excess of MPH's contribution to the new company over Pegi's will be treated as a loan carrying 12 per cent annual interest. Pegi says it will not increase its stake in Dunlop Holdings. MPH is in the process of making a follow-up offer to the minority shareholders of Dunlop Estates.

Hongkong Bank in talks on Malaysian ownership

By OUR HONG KONG CORRESPONDENT

THE Hongkong and Shanghai Banking Corporation is discussing with Malaysian authorities the opening-up of its operations there to local ownership, in line with the country's New Economic Policy. The Bank said in Hong Kong on Saturday that developments may come within the next six months. Hongkong Bank is one of the largest foreign banks in

Malaysia, with assets there totalling HK\$3.4bn (US\$583m) at the end of 1980. The New Economic Policy aims for the progressive extension of local ownership over companies operating in Malaysia, to reach proportions of 30 per cent Bumiputra (indigenous Malay), 40 per cent other Malay, and 30 per cent foreign, by a target date of 1985.

Advertisement for Burroughs International Finance N.V. 15 3/4% Guaranteed Notes Due 1988. US \$50,000,000. Unconditionally Guaranteed as to Payment of Principal, Premium, if any, and Interest by Burroughs Corporation. Lists numerous international banks as agents.

Advertisement for Kingdom of Spain 15% Notes Due 1987. U.S. \$100,000,000. Lists various international banks as subscribers.

Advertisement for Canadian Imperial Bank of Commerce 16% Deposit Notes due March 15, 1987. U.S. \$100,000,000. Issue Price 100 per cent. Interest payable annually on 15th March. Lists various international banks as subscribers.

FT COMMERCIAL LAW REPORTS

Contract not repudiated unless breach inevitable

CHILEAN NITRATE SALES CORPORATION v MARINE TRANSPORTATION CO LTD

Court of Appeal (Lord Justice Gummow, Lord Justice Donaldson and Lord Justice Oliver): March 3 1982

WHERE A party to a contract seeks to terminate it on the ground that the other party has declared, by words or conduct, an intention not to perform his future obligations...

The charter and the sub-charter both provided: 'vessel on her delivery to be... tight, staunch, strong... and... That the owners shall maintain and keep the vessel in a thoroughly efficient state.'

LORD JUSTICE DONALDSON, giving the judgment of the court, said that the Hermosa was off hire for repairs during a sub-charter period...

Her defects had almost certainly existed at the inception of the sub-charter, constituting a breach of the charterers' implied warranty of seaworthiness...

The repairs were delayed and the sub-charterers asked the charterers for an explanation...

RACING

THOSE WHO are beginning to think that by and large women make the best trainers could be on the mark in backing their judgment with some mixed doubles today...

Dina Smith, who pulled off an extraordinary triumph last Thursday in saddling the winner, the fifth, the seventh and 10th in the 31-runner Daily Express Triumph Hurdle from four runners...

The eight-year-old invariably runs well on his final course, and is out to notch his seventh victory following a third-placed effort in the National Spirit Challenge Cup...

Upton Bishop, beaten two lengths and a length respectively by Mr Moonraker and Homeson in that event should make a bold bid to regain winning form without, perhaps, proving quite good enough to give the best part of two stone

to Rosemary Lomax's Liboi. Although not the most reliable of handicappers these days, Liboi may be worth a small interest now that he has settled to the foot of the handicap.

H. and T. Walker, sponsors of the Marie Elisabeth Chase at Ascot last November, are to take over the race formerly known as the Black and White Whisky Gold Cup when they return to Berkshire next season...

Nottingham 2.15—Lucky Vase 2.45—Broad Principle 3.45—Torreon 4.15—Lavengro**

Wetherby 2.00—Under-rated* 4.00—Kintred

factory answer. The sub-charterers, after making some further inquiries, concluded that the owners were not carrying out the repairs.

They informed the charterers that they considered the owners' conduct amounted to a repudiation of the sub-charter and that they were no longer obliged to perform the contract...

The sub-charterers claimed a declaration that the sub-charter was rightly terminated. Mr Justice Mustill dismissed the claim and held that cancellation could not be justified on the basis of either repudiatory or renunciatory breach of contract...

The sub-charterers appealed against his decision relating to repudiatory breach. 'Repudiatory' indicated breaches of contract which had already occurred and which were sufficiently serious to entitle an injured party to treat the contract as being at an end.

'Renunciatory' indicated conduct which, whether or not it amounted to an actual breach of contract, foreshadowed a future potentially dissociative breach. An alternative term was 'anticipatory' breach since the injured party was allowed to anticipate the breach and to act before it occurred.

Renunciatory or anticipatory breach of contract could take two distinct forms. In one the defendant party took action which made it impossible to perform the contract in the future (breach by impossibility); and in the other, he declared by words or conduct his future refusal to perform the contract (breach by evinced intention).

In the case of breach by impossibility, the law did not require the injured party to await the inevitable. In the case of breach by evinced intention, the law allowed the injured party to take the other at his word and to treat the future breach as inevitable. The present appeal was concerned with that latter category.

Since Mr Justice Mustill gave judgment, the House of Lords had decided in Woodar Ltd v Wimpey Ltd (1980) 1 W.L.R. 277. For present purposes the following propositions could be taken from that case:

- (1) Dissolution of a contract on the basis of repudiation was a drastic conclusion which only arose in a clear case of refusal to perform which went to the root of the contract. (2) The refusal must not only be clear, but must be absolute. (3) What amounted to suffi-

cient refusal was to be judged in the light of whether a reasonable person in the position of the injured party would regard the refusal as being clear and absolute.

A further proposition which was not gleaned from Woodar's case was:

(4) The conduct relied on was to be considered in the light of the circumstances existing at the time when it allegedly terminated the contract. Those circumstances would include the history of the transaction or relationship. Later events were irrelevant, save to the extent that they might point to matters which the parties should have considered as hypothetical possibilities at the relevant time.

In the present case the renunciatory conduct relied on was an evinced unwillingness or inability by the charterers to maintain the vessel in an efficient and seaworthy state.

The relevant contractual relationship was not between the shipowners and sub-charterers, but between the charterers and sub-charterers. That did not in any way reduce the charterers' obligations. It did, however, import that the charterers, despite their best endeavours, might encounter practical difficulties in obtaining information and fulfilling their obligations. There was a surrounding circumstance which a reasonable sub-charterer would take into account.

The sub-charterers should have continued to press for definite information as to the owners' intentions. They struck too soon. It was irrelevant, but had they waited, they would have realised that they could not strike at all.

The appeal should not be considered on the basis that the owners were the charterers' agents and that the owners' conduct was the charterers' conduct. The only question was whether the charterers were evinced an intention not to repair the vessel and put her back in a fully seaworthy state before returning her to the sub-charterers' service. Whatever might be the view of the owners, that could not be said of the charterers.

Appeal dismissed. For the sub-charterers: John Hobhouse QC and Bruce Reynolds (Clyde & Co.). For the charterers: Adrian Hamlyn QC and Stephen Tomkinson (William A. Crump & Son).

For the owners: Roger Buckley QC and Tim Young (Richard, Butler & Co.). By Rachel Davies Barrister

BBC 1 TELEVISION LONDON Chris Dunkley: Tonight's Choice Three deeply contrasting views of Africa tonight. The African Queen on BBC2 is the 1951 movie in which Humphrey Bogart plays the scruffy gin-swilling river trader...

All IBA Regions as London except at the following times: ANGLIA 12.30 pm Gardening Time, 1.20 Anglia News, 2.45 Looka Familiar, 6.00 About Anglia, 7.00 Peterborough Festival of Country Music, 11.35 Quincey, 12.35 am Tuesday Topic.

KEPZ Karachi Export Processing Zone 19 INDUSTRIAL UNITS ALREADY SANCTIONED OFFERS UNIQUE INVESTMENT OPPORTUNITIES TO ALL FOREIGN NATIONALS AND NON-RESIDENT PAKISTANIS FOR SETTING UP INDUSTRIES IN THE KARACHI EXPORT PROCESSING ZONE (KEPZ)...

FINANCIAL TIMES CONFERENCES Gold and the International Monetary System Montreux: 11 and 12 May 1982 This important conference will assess the monetary future of Gold and analyse production, price and investment trends.

TECHNOLOGY

Relaxed rules on genetic safety

BY DAVID FISHLOCK, SCIENCE EDITOR

ABOUT 100 research centres in Britain, including a dozen industrial laboratories, are experimenting with "genetic engineering," the transplanting of genes to encourage a micro-organism to make some desired substance preferentially.

The full list of centres registered with the Genetic Manipulation Advisory Group GMAG, will be published later this year in the third report of this five-year-old public watchdog of genetic engineering.

GMAG has announced a major relaxation of its requirements from industry as experiments begin to be transferred to pilot plants.

The change of rules relieves industry of two intolerable burdens. One is interference by the trades union faction of GMAG, which has attempted to use its position to bring pressure upon non-university companies.

Top priority of Dr Tyrrell's committee is to determine just what constitutes a dangerous disease-causing organism in the fast-changing era of genetic engineering.

GMAG came into existence in the mid-1970s when widespread public fears were aroused about the hazards of genetic engineering. These fears soon focused into political attacks on pharmaceutical and chemical companies, as the industries showing most interest in using genetic engineering.

But in five years of deliberations GMAG has never examined a proposal from industry thought to contain a real — as opposed to a purely conjectural — hazard.

Companies whose proposals have been studied include Amersham International, Bass, Beecham, Celltech, Distal (Eli Lilly), Glaxo, ICI, Searle, Shell, Unilever and Wellcome.

Some are experimenting in their own laboratories, others in laboratories they have helped to finance in universities. Almost every UK university with a strong biosciences department has registered genetic engineering work with GMAG.

The NIH circulated four comment proposals for major revisions, notably that its guidelines should cease to be mandatory and instead be a voluntary code of practice.

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But last month the U.S. decided to retain vestigial Federal control. Had it been abandoned, industry could have faced the confusion of individual state control, already threatened in the case of Massachusetts, which includes such major centres of genetic engineering R and D as Harvard and MIT.

The NIH guidelines are to be redrafted, stipulating "admonishments" where previously they defined prohibitions. The net result, GMAG believes, will be that the U.S. and Britain should be closely aligned in controls.

The EEC seems to be moving in the same direction. Two of the Nine, West Germany and the Netherlands, wanted tougher controls and demanded a directive. But the European Parliament has approved a recommendation, which would not complicate life for GMAG.

The U.S., which first sounded the alarm about possible dangers in genetic engineering, appeared last December to be on the point of abandoning its "NIH guidelines," drawn up by the National Institutes of Health.

The NIH circulated four comment proposals for major revisions, notably that its guidelines should cease to be mandatory and instead be a voluntary code of practice.

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Dr Arthur Hale of G. D. Searle. The High Wycombe plant has GMAG approval

The picture illustrates how it works. There are a variety of models. The 66 Set consists of a roller assembly with lubrication tank, heavy duty aluminium helter handle with roller, 66 in double end bar. It costs £344.54. The model 44 costs £143.97; the model 33 £103.23.

Mr Visram (01-870 5400) will be delighted to tell you other ripping tales. MAX COMMANDER

But the committee as a whole still believes that it has a role in reassuring the public on the safety of a technology still in its infancy.

Nevertheless, it admits that the number of inquiries being referred to GMAG has diminished very considerably, suggesting a growing confidence on the part of Britain's 100 or so centres of research in genetic engineering in monitoring their own activities.

Copies of the FT Biotechnology Booklet (price £2.50) are still available (01-248 8000).

Each of the nozzle tubes is equipped with a heater which, because of the minute bulk, can heat and coat ink in the tubes at high speed.



New twist for ink jet scene

A NEW twist appears to have been imparted to the ink-jet printing scene recently with an announcement from Canon of a system that uses thermal formation of characters on paper rather than the electrostatic techniques used in present designs.

The technique has been dubbed "Bubble Jet" and although it has yet to reach the product stage it can already cover a piece of A4 paper with print in about six seconds.

The process is claimed to be the first of its kind and the company has already made 850 patent applications in various parts of the world.

In conventional ink jet printing drops of ink are electrostatically charged as they leave a tiny nozzle and can then be deflected with great precision to form characters on paper. Up to seven nozzles can be employed in the Canon thermal device, the page is spanned by an array of 2,000 nozzles, emission from which is controlled by thermal expansion and expression of the ink through each nozzle.

Geoffrey Charlish, General Manager, says the range of shop-fabricated rotary kilns for the process industries has been launched by Tolltech of Drolwich, Wores, (0905 756611). Kilns can be supplied with a refractory set for site installation. Full details from the company.

Italians set to test pilot wind scheme at Sardinia site

TESTING of Italy's first pilot wind energy farm will begin in about two months time. It is the first tentative step towards large power generation by harnessing wind power in Italy.

Ten aero-generators, each capable of delivering 50kW of power, are being made by Fiat. These will be installed at Flume Santo in the north west corner of Sardinia, and will be connected directly to the national electricity grid.

Dr Mario Calvo, special projects director at Fiat Aviazione, the company's aviation subsidiary, said that minute air wind speeds rated above 54 mph (about 11.3 metres per second).

Advertisement for PERA about TRAINING for Stock Controllers. Includes contact information for PERA TRAINING Production Engineering Research Association.

How to turn your dead elms into hard cash

DEAD elm trees lying in your estate or garden? Turn the wood into money with a chainsaw portable sawmill, says Forester, the forest and sawmill engineers.

Forester says that one in 10 families now has a chainsaw. Blame the Sunday newspapers special offers for this statistic.

"I'm worried about chainsaw massacres," I said to Mr E. N. Visram of Forester. "Our attachments are 'incredible value,'" he said. "Ideal for farmers, landowners, joiners and hullers. Super for producing planks, posts, beams and fencing."

The company quotes Mr Tony Phillips, Secretary of the Association of Professional Foresters: "The most revolutionary development since the invention of the chainsaw..."

LEGAL NOTICES

OPENING AND READING OF WILL. In pursuance of Articles 652 Para. 2 of the Swiss Civil Code and 526 Para 3 of the Valais Code of Civil Procedure, the legal heirs of MR OTTO STEINER, son of Leon Steiner and of Sofia born Hutter, husband of Emma Ingeborg born Oswald, born on the 12th September 1903 at Baden near Vienna, of British nationality, domiciled during his lifetime at Vevey, Rue des Chenevisses, 16, and who died at Vevey on the 20th January 1982, do inform that his testamentary arrangements were proved by the Record Office, Rue de Lousanna, 1900 Vevey, Switzerland, where they have been lodged.

THE COMPANIES ACTS 1948 TO 1976. NOTICE OF APPOINTMENT OF LIQUIDATOR. CREDITORS VOLUNTARY WINDING UP Pursuant to section 206 of the Companies Act 1948.

SUFFOLK COUNTY COUNCIL. 55 000,000 BILLS ISSUED 23rd March 1982. Total Issued to date £11,000,000. Date of issue 23rd March 1982.

EUROBONDS. The Association of International Bond Dealers. Issued monthly in the Financial Times.

COMPANY NOTICES

FRIESCH-GRONINGSCHHE HYPOTHEEK BANK N.V. U.S.\$ 20,000,000 Floating Rate Notes due 1987. In accordance with the provisions of the Notes, notice is hereby given that for the interest period from March 23, 1982 to June 23, 1982 the Notes will carry an interest rate of 15% per annum.

De Beers Consolidated Mines Limited. Incorporated in the Republic of South Africa. NOTICE TO MEMBERS. NOTICE IS HEREBY GIVEN that the thirty-fourth annual general meeting of members of De Beers Consolidated Mines Limited will be held at the Stock Exchange, Kimberley, on Tuesday, 23rd March 1982, at 10h15, for the following business:

EDUCATIONAL. COMPUTER PROGRAMMING COURSES. Small classes, evening and weekend courses. Call: LSL COLLEGE. London 01-794 1504 or 408 0481. Brighton 0273 722000.

ART GALLERIES. BLACKMAN HARVEY GALLERY, 11, 30/31, Abchurch Lane, London EC4N 3DF. GRIFFIN GALLERY, 100, Market Street, London EC3A 3PF. GOSWELL & GOSWELL, 10, Park St., W.1. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

Advertisement for PERA about TRAINING for Stock Controllers. Includes contact information for PERA TRAINING Production Engineering Research Association.

WORLD STOCK MARKETS

Early Wall St rally of 9.5

REFLECTING SOME optimism on the part of investors that U.S. interest rates may move lower, Wall Street rallied sharply yesterday morning in a fairly large turnover.

The Dow Jones Industrial Average advanced 9.51 to 818.16 at 1 p.m., while the NYSE All Common Index was up 8.83 to 2,563.3 and Metals and Minerals 10.8 to 1,475.4.

Petroleum issues continued to rally on news of the planned Opec oil production cut. The Premium of oil-rich Alberta said the Federal Government should alter the energy programme to help the oil industry, and said his Government is planning its own steps to stimulate the industry.

Also boosting stock prices was some firmness in the bond market. There was some pickup in the depressed energy stocks following Opec's decision to cut oil production.

However, gains in the group were modest, and analysts said the 15m barrels a day limit on production set by Opec is unlikely to stop the downward trend in crude oil prices over the near-term.

AT&T, which is the most active oil stock and rose 1 1/2 to \$39.1. Also active were Exxon, up 1 to \$23.1, and Texaco, up 1 to \$30.1.

General Motors gained 1 1/2 to \$40.1 in heavy trading. It has reached agreement with the UAW on a new labour pact. Technology stocks were the target of bargain hunting with IBM rising 1 1/2 to \$58.1.

Some of the session's sharper gains were recorded by Banks, which tend to benefit most from any interest rate downturn. Dresdner Bank rose DM 2.30 to DM 160. Deutsche Bank up DM 1.60 to DM 161.50.

Foreign investor purchasing again centred on the export-oriented Machine Manufacturers sector, where GHH advanced DM 3, Lindo DM 1 and HAN DM 4.

Public Authority Bonds were up to 50 pence higher, while the Bundesbank sold DM 36.1m of paper, against sales of DM 73.20m on Friday.

Closing Prices for North America were not available for this edition.

NEW YORK

Table of stock prices for New York, including columns for Stock, Mar. 18, Mar. 19, Mar. 20, Mar. 21, Mar. 22.

Stock

Table of stock prices for various sectors, including columns for Stock, Mar. 18, Mar. 19, Mar. 20, Mar. 21, Mar. 22.

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Canada

Markets improved in line with the New York trend. After moderate activity, the Toronto Composite Index was up 16.5 at 1.00 p.m.

Gold rose 82.9 to 2,234.8. Oil and Gas 67.3 to 10.8 to 1,475.4.

Petroleum issues continued to rally on news of the planned Opec oil production cut.

The Premium of oil-rich Alberta said the Federal Government should alter the energy programme to help the oil industry.

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Paris

French stocks finished mixed with no easier bias after a moderate business.

The success of Right-wing Parties in the second round of Cantonal elections in France on Sunday did not outweigh the effect on market sentiment of a further weakening of the French franc, dealers commented.

The French currency was fixed at its lowest level on record in relation to the U.S. dollar and the D-mark yesterday afternoon.

There was no sign of any change in the orientation of the Government's policies as a result of the swing to the right, one trader added.

Declines led advances by 94 to 70 in the French section. Foreign stocks were favoured, however, and only six stocks in this section finished below Friday's prices.

Switzerland

Prices were broadly higher in busy trading as the market focused on the trend towards lower Swiss interest rates. The Swiss Bank Corporation Industrials index put on 3.2 to 250.0.

Hong Kong

The recent rallying trend continued yesterday, although trading volume was thin.

The Hang Seng index improved to 1,223.14, but fell to 1,215.73 on the news of a 73 cent fall in oil prices.

However, 73 cents each were recorded by Crusader Oil, AS3.50, and Hartogen Energy, AS4.00.

Gold miners, declined in line with world Bullion prices, but some Base Metal issues were a shade higher. Central Norwegian Gold lost 15 cents to AS3.40.

Johannesburg Overall market trading was quiet ahead of tomorrow's South African Budget, but Gold shares were steady.

Some technical improvement to an improvement in the Banting price. Driefontein, R37.75, and F S Geduld, R31.25, gained R1.75 apiece.

NEW YORK

Table of stock prices for New York, including columns for Stock, Mar. 18, Mar. 19, Mar. 20, Mar. 21, Mar. 22.

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Companies and Markets

LONDON STOCK EXCHANGE

Gilt-edged make further headway on inflation trend Equities lack inspiration—Gold shares better

Account Dealing Dates Option
*First Declared Last Account Dealings Times-Dealings Day
Mar 15 Mar 22 Mar 29 Apr 5 Apr 12 Apr 19 Apr 26 Apr 23 May 10

paid stock quotations of the three established index-linked stocks were lowered by 1/4 to 1 1/2 in sympathy.
Equities made an uninspiring start to the final leg of the two-week Account with leading shares generally drifting lower to a thin trade. Prices picked up in places to the after-hours business on improved advice about early dealings on Wall Street, but after last week's fall of 4 1/2 the FT 30-share index closed only slightly above yesterday's lowest in ending 4.6 down at 558.1.

hardened a similar amount to 37 1/2 but other Composites drifted lower. General Accident dipped 4 to 320p as did GRE.
Lloyds Brokers were helped by a broker's recommendation. Awaiting today's annual figures, Willis Faber edged forward a couple of pence to 420p, while C. E. Heath, 31 1/2p, and Alexander Howden, 157p, ended similarly dearer. With the exception of Prudential, which rose 4 to 225p in anticipation of tomorrow's preliminary statement, Life issues drifted down on lack of support. London and Manchester, annual figures scheduled for tomorrow, lost 5 to 270p and Refuge receded 6 to 262p.

company will announce full-year profits in excess of £100m tomorrow induced a good demand for BICC which touched a new peak of 345p before closing 3 up on balance at 343p. Phillips Lambs rallied 17 to 482p, but other Electricals were irregular. United, annual results due Thursday, added 2 more to 175p. Elsewhere, lower mid-term earnings clipped 3 from J. and J. Makin Paper Mills, 155p, while Woodrow Wyatt shed a penny to 8p, after 7p in reaction to the increased interim deficit.

Revised speculative demand in a market short of stock lifted Pearson Longman 24 to 272p; parent company S. Pearson, strongly faceted to bid for the outstanding equity, eased the turn to 348p. Other Newspapers were irregular. United, annual results due Thursday, added 2 more to 175p. Elsewhere, lower mid-term earnings clipped 3 from J. and J. Makin Paper Mills, 155p, while Woodrow Wyatt shed a penny to 8p, after 7p in reaction to the increased interim deficit.

former tone among Plantations. Malakoff rose 5 to 53p, while Cons. Plants, added 3 1/2 to 49p with the Warrants 7 up at 123p.

Gold up again
Widespread rumours that European central banks have purchased substantial amounts of Soviet gold at prices in excess of current levels prompted a rise in the bullion price of \$5 to \$215.5.

Heavyweights were featured by Vaa Reeds, £14 up at £234, Southval and St. Helena, up a penny at £124 and £124 respectively and Driefontein, which put on 1 to £101.

Oil prices fell on the news that Opec's Vienna agreement, but buyers came in at the lower levels and left the leaders little changed or better. Further support developed for the Humbly Grove participants. Amersham became a fairly lively market and touched a penny of 302p before closing just penny dearer on balance at 188p.

Easy conditions returned to the water clearing banks as a revived worries about increased taxation induced sporadic offerings and deterred potential buyers. Midland, at 246p, gave back 3 of 271p, after 27p, which followed the results. NatWest lost 4 to 438p as did Lloyds, 438p. Elsewhere, Cables Holdings cheapened 2 to 361p on the figures.

Leading Foods closed narrowly mixed following a quiet trading. Borden's, 52p, was the only one to rise, while Arthur Bell gave up a like amount to 172p; the latter's interim results, originally scheduled for today, have been postponed until tomorrow.

After opening several pence lower in the wake of comment on Opec's agreement on a production ceiling and the main reference price, leading Oil rallied and closed narrowly mixed. British Petroleum finished a couple of pence off at 226p, after 280p, while Shell ended that much dearer at 364p, after 358p. Elsewhere, Lamin became a nervous counter awaiting today's preliminary results and dropped 18 to 260p, but Tricentral attracted support ahead of Thursday's annual results, but 10 to 282p. The Humbly Grove partners encountered renewed buying on expectations of a favourable drilling report; Mariner gained 13 more to 103p, while Canedra put on 10 to 177p and Gales Capital to 152p. Jackson Exploration dealt in the United Securities Market, added 2 to 84p following the annual results. Recently dull, Fair Resources rallied 8 to 115p, while Global Natural Resources gained 6 to 530p.

Oil and gas issues were notably weak on disappointment with the initial testing of the Jackson South No. 1 well which has so far failed to encounter hydrocarbons. Clarendon Petroleum, which holds a 10 per cent interest in the well, dropped 9 to 43p. Santos, the major interest holder in Jackson South No. 1, fell 10 to 250p despite its participation in the successful Marimela 8 well in the Cooper Basin.

FINANCIAL TIMES STOCK INDICES

Table with columns: Index Name, Mar 22, Mar 19, Mar 18, Mar 17, Mar 16, Mar 15, A year ago. Rows include Government Secs, Fixed Interest, Industrial Ord, Gold Mines, etc.

10 am 561.8, 11 am 560.5, Noon 559.4, 1 pm 558.6, 2 pm 557.3, 3 pm 557.2.

HIGHS AND LOWS S.E. ACTIVITY

Table with columns: Index Name, High, Low, Since Compil'd, Mar 18, Mar 17. Rows include Govt. Secs, Fixed Int., Ind. Ord., Gold Mines.

Stores quietly dull

Leading Stores made a subdued showing and finished a shade easier for choice. Selected secondary units made progress. Press comment lifted Greenfields Leisure 2 to 26p, while Sonic Sound, the subject of 3 favourable mentions recently, added 5 more to 129p.

Turner & Newall sold

Having fallen 26 last week on disappointing preliminary results, Turner and Newall came under renewed pressure yesterday; the shares being sold down to a new low of 63p before closing the day a net 5 down at 65p.

Oils dip and rally

After opening several pence lower in the wake of comment on Opec's agreement on a production ceiling and the main reference price, leading Oil rallied and closed narrowly mixed.

FRIDAY'S ACTIVE STOCKS

Table with columns: Stock Name, Closing price, Day's change, Stock Name, Closing price, Day's change.

WORLD VALUE OF THE POUND

The table below gives the latest available rates at exchange for the pound against various currencies on March 22 1982. In some cases rates are nominal. Market rates are the average of buying and selling rates.

Table with columns: PLACE AND LOCAL UNIT, VALUE OF £ STERLING. Rows include Afghanistan, Algeria, Andorra, Angola, etc.

NEW HIGHS AND LOWS FOR 1981/2

The following quotations in the Share Information Service represent the new Highs and Lows for 1981-82.

Table with columns: NEW HIGHS (40), NEW LOWS (21). Rows include British Airways, British Petroleum, etc.

OPTIONS

First Last For Deal-Deal-Declar-Settle-ings tion ment Mar 22 April 3 July 1 July 12 April 26 May 7 July 15 July 26 April 26 May 7 July 29 Aug 3

Table with columns: Share Information Service, Demand for Options improved considerably and only were arranged in Howard Teneus, Brown and Jackson, North Kalguri, NCC, Marks and Spencer, Nimsle, Dunlop, Woolworths, Bowater, International Petroleum, Bremer Trust, Carless Capel, Johnson and Firth Brown, First National Finance, Albert Fisher, Automated Security, L. Ryan, Amersham, Eagle Star, Premier Oil, GKN, Anvil Petroleum, ICL, Armstrong Equipment, Myr Dart, Teacem, Debra, John Dobson, Selincourt, Central, Triples, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Mon March 22 1982, Fri Mar 19, Tue Mar 18, Wed Mar 17, Thu Mar 16, Year ago (approx). Rows include CAPITAL GROUPS (22), BUILDING MATERIALS (25), CONTRACTING, CONSTRUCTION (28), etc.

RECENT ISSUES

Table with columns: Issue price, Amount raised, Date of issue, Stock Name, Closing price, + or -.

FIXED INTEREST STOCKS

Table with columns: Issue price, Amount raised, Date of issue, Stock Name, Closing price, + or -.

"RIGHTS" OFFERS

Table with columns: Issue price, Amount raised, Date of issue, Stock Name, Closing price, + or -.

ACTIVE STOCKS

Table with columns: Stock Name, Closing price, Day's change, Stock Name, Closing price, Day's change.

FRIDAY'S ACTIVE STOCKS

Table with columns: Stock Name, Friday's closing price, Friday's change, Stock Name, Friday's closing price, Friday's change.

RISES AND FALLS YESTERDAY

Table with columns: Rise/Fall Name, Rise/Fall Name, Rise/Fall Name, Rise/Fall Name, Rise/Fall Name, Rise/Fall Name.

INSURANCE BONDS

Table of insurance bonds including Crown Life, Abbey Life Assurance Co. Ltd., and various other companies with their respective bond details and prices.

FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service listing various unit trusts such as Legal & General, Norwich Union, Standard Life Assurance, and many others, including their descriptions and prices.

OFFSHORE & OVERSEAS FUNDS

Table of offshore and overseas funds including entities like S. T. Management Ltd., British International Investment, and others.

Vertical text on the left margin: TOCKS

Vertical text on the left margin: LNS

Vertical text on the left margin: NTERD

Vertical text on the left margin: IDICES

Vertical text on the right margin: Best Fund Mgr. (Jersey) Ltd., and other company names and details.

WOLSELEY-HUGHES Central to Britain's heating Heating and Plumbing Merchants Farm and Garden Machinery, Engineering, Plastics.

FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

BRITISH FUNDS

Table of British Funds including Treasury, British Bond, and various equity funds with columns for Name, Price, and % Change.

Shorts (Lives up to Five Years)

Table of Short-term investments including Treasury bills and certificates with columns for Name, Price, and % Change.

Five to Fifteen Years

Table of Medium-term investments including Treasury bills and certificates with columns for Name, Price, and % Change.

Over Fifteen Years

Table of Long-term investments including Treasury bills and certificates with columns for Name, Price, and % Change.

Undated

Table of Undated investments including Treasury bills and certificates with columns for Name, Price, and % Change.

Index-Linked & Variable Rate

Table of Index-linked and variable rate investments with columns for Name, Price, and % Change.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table of International bank and overseas government sterling issues with columns for Name, Price, and % Change.

CORPORATION LOANS

Table of Corporation loans with columns for Name, Price, and % Change.

COMMONWEALTH AND AFRICAN LOANS

Table of Commonwealth and African loans with columns for Name, Price, and % Change.

LOANS Public Board and Ind.

Table of Public Board and industrial loans with columns for Name, Price, and % Change.

LOANS—Continued

Table of Loans—Continued with columns for Name, Price, and % Change.

FOREIGN BONDS & RAILS

Table of Foreign bonds and rails with columns for Name, Price, and % Change.

AMERICANS

Table of American stocks with columns for Name, Price, and % Change.

BEERS, WINES AND SPIRITS

Table of Beers, wines and spirits with columns for Name, Price, and % Change.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building industry, timber and roads with columns for Name, Price, and % Change.

CANADIANS

Table of Canadian stocks with columns for Name, Price, and % Change.

BANKS AND HIRE PURCHASE

Table of Banks and hire purchase with columns for Name, Price, and % Change.

BANKS & H.P.—Cont.

Table of Banks & H.P.—Cont. with columns for Name, Price, and % Change.

Hire Purchase, etc.

Table of Hire purchase, etc. with columns for Name, Price, and % Change.

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CANADIANS

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CHEMICALS, PLASTICS—Cont.

Table of Chemicals, plastics—Cont. with columns for Name, Price, and % Change.

CHEMICALS, PLASTICS—Cont.

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DRAPERY AND STORES

Table of Drapery and stores with columns for Name, Price, and % Change.

ELECTRICALS

Table of Electricals with columns for Name, Price, and % Change.

ENGINEERING

Table of Engineering with columns for Name, Price, and % Change.

ENGINEERING MACHINE TOOLS

Table of Engineering machine tools with columns for Name, Price, and % Change.

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ENGINEERING MACHINE TOOLS

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ENGINEERING—Continued

Table of Engineering—Continued with columns for Name, Price, and % Change.

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Table of Engineering machine tools with columns for Name, Price, and % Change.

Table of Food, Groceries—Cont. with columns for Name, Price, and % Change.

RESTAURANTS AND CATERERS

Table of Restaurants and caterers with columns for Name, Price, and % Change.

INDUSTRIALS (Miscel.)

Table of Industrials (Miscel.) with columns for Name, Price, and % Change.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and other financial metrics.

LEISURE—Continued

Table of leisure-related stocks such as British Airways, British Petroleum, and various entertainment and travel companies.

PROPERTY—Continued

Table of property-related stocks including real estate investment trusts and property development companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts offering various asset classes and geographical exposures.

OIL AND GAS—Continued

Table of oil and gas stocks, including major energy producers and service companies.

NOMURA logo and contact information for Nomura International Limited, a Japanese securities and investment banking firm.

MINES—Continued

Table of mining stocks, categorized by region (Central African, Australian, Tins, Copper, Miscellaneous) and listing various mineral extraction companies.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks, including manufacturers and distributors of vehicles and aircraft.

SHIPPING

Table of shipping stocks, including major shipping lines and related services.

SHOES AND LEATHERS

Table of shoes and leather goods stocks, including manufacturers and retailers.

SOUTH AFRICANS

Table of South African stocks, including companies from various sectors within the region.

TEXTILES

Table of textile stocks, including manufacturers of clothing and fabrics.

TOBACCO

Table of tobacco stocks, including major tobacco companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing stocks, including major media organizations.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks, including publishers and service providers.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks, including investment vehicles and financial institutions.

OVERSEAS TRADERS

Table of overseas trading stocks, including international trade companies.

RUBBERS AND SISALS

Table of rubber and sisal stocks, including commodity producers.

TEAS

Table of tea stocks, including major tea producers.

INDIA AND BANGLADESH

Table of Indian and Bangladeshi stocks, including companies from these regions.

MINES

Table of mining stocks, including various mineral extraction companies.

NOTES

Notes section providing detailed information and analysis for various stocks and market segments.

REGIONAL MARKETS

Regional markets section providing data and analysis for different geographical areas.

OPTIONS

Table of options contracts, including call and put options for various stocks.

INSURANCE

Table of insurance stocks, including major insurance companies.

LEISURE

Table of leisure stocks, including entertainment and travel companies.

PROPERTY

Table of property stocks, including real estate investment trusts.

OIL AND GAS

Table of oil and gas stocks, including energy companies.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks, including precious metal producers.

FINANCIAL TIMES

Tuesday March 23 1982

Getatable NEWPORT

For details of industrial development... contact Steve Wehrle... Dept. FT, The Civic Centre, Newport, Gwent... Tel: (0633) 65491



UNION IN TENTATIVE DEAL TO FOREGO PAY RISES

GM accord may save four plants

BY RICHARD LAMBERT IN NEW YORK

GENERAL MOTORS (GM) the largest U.S. car maker, and the United Auto Workers Union (UAW) have reached tentative agreement on a new two and a half year labour contract. The company has agreed to rescind recent decisions to close four plants...

The deal parallels the union's recent settlement with Ford. Under it the UAW has agreed to give up two annual pay increases of 3 per cent and the equivalent of two weeks of paid holiday a year...

Other parts of the proposed deal include a training programme to be funded by the company, and a prepaid legal service. Among other things, this will give union members financial help when it comes to paying for divorce settlements.

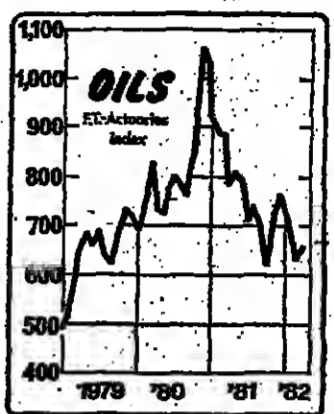
Moody's said the changes reflected Ford's reduced long-term financial flexibility as a result of substantial operating losses. Bank debt rating cut, Page 29

THE LEX COLUMN

Opec caulks the barrel

Will the weekend Opec agreement be enough to maintain the Saudi reference price of \$34 a barrel? - Destocking is expected to continue at a rapid pace in the second quarter...

Index fell 4.6 to 558.1



stands \$165 below the published producer price and may be close to Rustenburg's average production cost.

So the company must either be accumulating an embarrassing amount of stock or undermining its own price by discreet discount sales. Rustenburg is well placed to weather the storm for the time being.

Yet the main industrial users of platinum are still deep in recession and jewellery consumption in Japan, which often absorbs 40 per cent of total production, has tumbled sharply.

Morgan Grenfell Morgan Grenfell's disclosed 1981 profits are 40 per cent higher at £10.1m and the dividend is up by a fifth, demonstrating that a well-run merchant bank can still make a handsome turn in the City despite the pressure on margins and overbids.

Rustenburg The collapse of the platinum market has outstripped even the fall in the gold price and yesterday's interim report from Rustenburg Platinum...

Mr Robert Holmes a Court got a vote of confidence from the board yesterday on his remaining in the ACC chair...

U.S. to be given trade legislation warning

By Paul Cheswright, World Trade Editor

THE EEC is to tell the U.S. Government that the passage by Congress of trade and reciprocity legislation would undermine the liberal trading system built up since World War II.

Bills before the U.S. Congress, embracing particular sectors like telecommunications and the motor industry and more general provisions of trade policy, contain the reciprocal principle that the U.S. should open its market to foreign companies...

The EEC will signal in a letter to the U.S. State Department that such legislation would damage U.S. hopes of extending the General Agreement on Tariffs and Trade (GATT) beyond trade in goods to services and investment.

Japan has been the focus of the U.S. bills. There has been growing concern in the U.S. about Japan's exporting policy, allied to the feeling that the Japanese market is not as open to U.S. companies as the U.S. market is to Japanese companies.

The EEC letter, circulating in national capitals of the Ten for final scrutiny before dispatch, is an expression of widening international concern about the reciprocity debate in Washington.

Both Canada and Japan have warned that reciprocity legislation could lead to the spread of protectionism on the scale of the 1930s, when the international trading system seized up.

The Reagan Administration, in a drive to improve market access for U.S. companies has laid great stress on starting an international programme which would lead to greater freedom for trade in services, like insurance, banking and engineering.

By linking its warning about reciprocity to the extension of the GATT, the EEC appears to be signalling that it will resist U.S. wishes for GATT extension unless the basic principle of the agreement is kept intact.

Bae to axe 1,200 jobs as defence cuts hit sites

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

UP TO 1,200 British Aerospace personnel are likely to be made redundant over the next 12 months following the company's decision to run down three of its sites and probably close them by the end of the year.

The announcement came on the eve of a statement expected in the Commons today that several thousand workers in Royal Navy shore-based establishments are to be made redundant. These cuts are part of the run-down of the Navy following last year's defence review which sharply reduced the surface warship fleet...

The sites affected in the British Aerospace cuts are Holme-on-Spalding Moor, in North Humberside, where about 100 will be redundant, Bracebridge Heath, Lincolnshire, where about 150 will become redundant, and Bitterwell, Leicestershire, where about 950 will become redundant.

The three sites will be run down progressively as outstanding work is completed. This is likely to take six to 12 months.

Threat to Schmidt aid package

BY JONATHAN CARR IN BONN

THE WEST GERMAN Government is facing problems trying to win approval for a sharp rise in value added tax to pay for its proposed DM12.5bn (£2.9bn) job creation programme.

The problem arises following the Lower Saxony state election on Sunday, when the Christian Democrats (CDU) gained an absolute majority.

Chancellor Helmut Schmidt's Social Democrats (SPD) slumped to 38.5 per cent compared with 42.3 per cent before, and their Liberal partner in Bonn, the Free Democrats (FDP) took only 5.9 per cent of the vote.

The Lower Saxony victory consolidates the majority hold of the CDU on the Bundesrat (upper house) in Bonn which groups representatives of the provincial states and whose accord is needed for the Government's job-creation package.

The CDU has said since the package emerged in February that it would not support the SPD-FDP's plan to finance key elements of it through an increase of 1 percentage point in VAT to 14 per cent in mid-1983. It says the rise would be unfair, would add to costs and work against job creation.

It seems certain the Bundesrat will refuse the VAT increase this Friday—throwing into doubt the future of the package itself.

The Lower Saxony vote had seemed to offer a last chance for the Bonn Government to undermine the united front of the CDU on the VAT issue.

It had been hoped at least that the CDU would win less than half of the vote in the State, so that Dr Ernst Albrecht, the State's CDU Prime Minister, would have to seek a coalition with the FDP.

The FDP then would have insisted on some CDU flexibility in return for support in Lower Saxony.

However, Dr Albrecht made clear yesterday that not only did he not need an alliance with the FDP, but did not favour one in the foreseeable future.

At present the CDU has only a simple majority in the Bundesrat—which is, however, enough to give it power to veto government proposals relating specifically to tax. But victories in State elections in Hamburg in June and Hesse in September, would give it a two-thirds majority.

This would mean that the Bundesrat in effect could block not just tax proposals, but all proposed SPD-FDP legislation. Such circumstances could force premature general elections, which are not otherwise due until autumn, 1984.

Editorial Comment, Page 20

Thatcher's adviser to join Jenkin team

By John Elliott, Industrial Editor

A MEMBER of the Prime Minister's personal policy unit in Downing Street has been appointed to head a similar unit set up this week by Mr Patrick Jenkin, Industry Secretary, to sharpen his department's policy development. He is Mr Andrew Duguid, a 37-year-old civil servant who worked at the Industry Department before joining the Downing Street staff late in 1979.

Mr Duguid will head a staff of four. Their job will be to provide advice to Mr Jenkin and senior civil servants on how the main direction of the department's work can be shifted from propping up old industries to encouraging new ones.

Mr Jenkin organised a similar policy unit for his job as Health and Social Services Secretary to obtain broader alternative policy suggestions to those put forward by individual parts of his department.

Mr Duguid's departure from Downing Street coincides with the weekend announcement that Mr John Hoskyns is to leave at the end of April. Mr Hoskyns set up the unit after the General Election and, having worked for a total of five years, wants to return to business.

Mr Norman Struss, a former Unilever marketing executive who has also been at the unit since the election (although recently for only a day or two a week), is also to leave at the end of this month.

The departures are not thought to have any political significance. Mr Hoskyns will continue to advise Mr Cecil Parkinson, chairman of the Conservative Party, on policy matters.

Profile, Page 6

Weather

MAINLY DRY, sunny periods with fog and drizzle. London, S. England, E. Anglia, the Midlands, Wales. Early fog patches, becoming sunny later. Max 13C (55F). N. England, Borders, E. Scotland. Mainly dry with early frost. Max 12C (54F). Scotland, N. Ireland. Mainly cloudy, patchy fog. Strong winds. Max 11C (52F). Highlands, NE Scotland. Sunny intervals, becoming cloudy. Max 7C (45F). Outlook: Dry and warm.

Table with 3 columns: Location, Y day, Y day. Lists various cities like Algeciras, Algiers, Athens, etc. with corresponding temperature forecasts for Y day and Y day.

Saudi output

Some traders argued that Opec needed to cut its output to 16m-17m b/d to reduce the surplus in the market.

On the other hand, it was argued within a number of leading oil companies that if Opec could maintain its output at about 17.5m b/d for several months, the market would gradually return to a balanced position. One major U.S. company said that even with low worldwide demand and a continuation of the present run-down in industry stocks, Opec would probably need to produce an average of at least 19m b/d throughout the coming year to avert shortages.

Last year, Opec produced at an average rate of 22.5m b/d.

While the Saudi agreement to bear the brunt of any production cuts is regarded as the

French franc

believe that the speculation will ease and that there is no case for a further devaluation or for a temporary withdrawal of the franc from the EMS.

Dealers on the other hand, are convinced that the pressure will continue—despite the Government's obvious determination to resist it—and that the Government cannot maintain interest rates at 17 per cent without damage to the economy.

Among those reported to be selling francs to cover the past week have been Arab institutions, foreign companies liquidating bonds issued as compensation for shares in the newly nationalised industries.

Max Wilkinson adds: In London, the dollar and sterling both appeared to benefit from the franc's continued weakness. The dollar rose to DM 2.3385, compared with Friday's close of DM 2.3340.

Lord Matthews quits ACC board

BY JOHN MOORE, CITY CORRESPONDENT

FOUR DIRECTORS of Associated Communications Corporation failed to oust Mr Robert Holmes, the Australian entrepreneur, as chairman of the company yesterday. Lord Matthews, one of the directors opposed to the Australian continuing as chairman, last night resigned from the board.

Sir Leo Pilatzky, another director who voted against Mr Holmes a Court, publicly dissociated himself from a decision by seven other directors to support the present chairman.

The boardroom drama has come at the height of a £90m takeover bid for ACC which has been launched by business interests of Mr Holmes a Court.

Heron Corporation, a private company headed by Mr Gerald Ronsón, is also fighting for control of the entertainment empire built up by Lord Grade.

Mr Holmes a Court made his bid in January. His offer for ACC was conditional on Lord Grade handing over the office of chairman and chief executive to him.

Directors of ACC were meeting yesterday to consider the implications of Mr Holmes a Court remaining as chairman of ACC while he was chairman of companies through which he had made his takeover bids. The four ACC directors who were opposed to his staying as chair-

man were worried about conflicts of interest.

After a two-hour board meeting, Sir Leo Pilatzky, who sat on a four-man internal committee reviewing takeover bids made for ACC, said: "It would be preferable for Mr Holmes a Court to stand down as chairman." He added he was prepared to see Mr Holmes a Court remain as chief executive "for a limited period during the bid situation."

Sir Leo said because of his views he had "withdrawn from ACC's bids committee."

Lord Matthews telephoned ACC at 5 pm last night to convey his resignation from the board. Lord Matthews chaired the internal bids committee

which was formed to provide internal independent advice to shareholders on the takeover away from any influence of Mr Holmes a Court.

Sir Max Atkin, another director of the ACC board who has been ill for some time, is also understood to have resigned last week.

The Takeover Panel is still considering the purchase of 825,000 non-voting shares in ACC by TWV Enterprises, the company through which Mr Holmes a Court is making his bid. A technical breach of the takeover code was alleged to have taken place in the purchase of the shares, and the panel has held a rare formal inquiry. An announcement is expected this week.

Advertisement for Crusader insurance: "For all employee benefits there's only one name I look to... Crusader."

Advertisement for Crusader insurance featuring a portrait of a man in a suit and tie, with text: "Yes, Crusader Insurance are the one company offering the full range of employee benefits from a single source." Includes contact information for Crusader Insurance PLC.